

A C WHARTON, JR. MAYOR

September 13, 2013

The Honorable Larry B. Martin Commissioner, Department of Finance and Administration State of Tennessee 312 Rosa L. Parks Avenue, 20th Floor Tennessee Tower Nashville, TN 37243

RE: Application for Certification

Memphis Fairgrounds Tourism Development Zone and

Qualified Public Use Facility

Dear Commissioner Martin:

On behalf of the citizens of the City of Memphis, I am pleased to submit this application for certification of the Memphis Fairgrounds Tourism Development Zone (TDZ) and the Fairgrounds Development Vision as a Qualified Public Use Facility (QPUF) as required by the Convention Center and Tourism Development Financing Act of 1998, as amended. In keeping with its "City of Choice" plan, Memphis' vision for the 155+-acre site, located in the center of our city, is to create a tourism magnet for sports competitions and tournaments that will attract new visitors to our state and create new economic impact for our city.

The redevelopment of the "Fairgrounds" site provides Memphis with the unique opportunity to create a family-oriented tourist/retail/sports/education destination which will provide a one-of-a-kind experience for children through exposure to athletic, educational, cultural and technological venues. The "Fairgrounds" project will also serve as the central hub of the City's family-tourism expansion through its developments at Graceland, Bass Pro at the Memphis Pyramid and the Riverfront. The Graceland project will provide a richer experience of the Memphis musical legacy and the Bass Pro/Pyramid/Riverfront project will expose all children to the numerous positive benefits of the outdoor experience.

As a result, the vision for the Fairgrounds creates a signature place which reflects our city's values related to strong neighborhoods, strong families, and new economic anchors. The City of Memphis has proceeded methodically to achieve its priorities of a model urban redevelopment project that acts as a magnet for more visitors to Memphis and the State of Tennessee and as the engine for new net economic activity.

Letter to Commissioner Martin Page 2 September 13, 2013

Robert Lipscomb, Director of Housing and Community Development will be the municipal representative for this Application for Certification. Director Lipscomb may be reached at 901-576-7308, 901-544-1102, or at Robert-Lipscomb@memphistn.gov if you have any questions or require any further information. I understand it is our intent to present this project to the State Building Commission on October 12, 2013.

I look forward to working with you and your office on this exciting project which should prove to be a valuable asset for the City of Memphis and the State of Tennessee.

Thank you.

Sincerely,

A C Wharton, Jr., Mayor

City of Memphis

cc: Edmund Ford, Jr., Chairman, Memphis City Council
Jim Strickland, Vice Chairman, Memphis City Council
Members of the Memphis City Council
Bobby White, Chief of Staff, City of Memphis
George Little, CAO, City of Memphis
Maura Sullivan, Deputy CAO, City of Memphis
Robert Lipscomb, Director, City of Memphis, HCD
Herman Morris, Jr., City of Memphis, City Attorney
Brian Collins, Director, Finance, City of Memphis
Andre Walker, Deputy Director, Finance, City of Memphis
Marcus Ward, Senior Assistant City Attorney, City of Memphis
Debbie Singleton, Administrator, HCD, City of Memphis
John Carr, Coordinator, F&A Budget Division, State of Tennessee

Application for Certification of

Proposed Memphis Fairgrounds Tourism Development Zone

In accordance with the Convention Center and Tourism Development Financing Act of 1998, as amended

September 13, 2013

Submitted to:

Commissioner Larry B. Martin
Department of Finance and Administration
State of Tennessee

Submitted by:



A C Wharton, Jr., Mayor City of Memphis

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Creating a Major New Economic and Tourism Engine In the Heart of Memphis

City of Memphis is transforming more than 155 acres of the former Mid-South Fairgrounds site from a sea of asphalt parking lots dotted with old buildings into a national and regional sports and retail magnet that will change the future of a key part of Memphis by creating an economic and tourism engine that will produce jobs, expand the economy, and improve the quality of life.

The beneficiaries of this rebirth are numerous: the adjacent neighborhoods will be activated; University of Memphis, part of the Tennessee Board of Regents system, will compete in a rejuvenated city-owned stadium and enjoy a newly imagined environment that is characteristic of a major football program; family-themed attractions and activities from the Kroc Center, the Children's Museum of Memphis, and destination retail and special events; the second-to-none amateur sports venues, the skatepark, and the zipline over the lake, and a new, inventive attraction for older children. All of these combine to create a new regional tourism attraction for Tennessee that will in particular leverage hundreds of thousands of new visitors drawn by new and improved tourism assets like Bass Pro Shop at The Pyramid, a renovated National Civil Rights Museum, improvements to Graceland, the opening of Beale Street Landing on the riverfront, the reawakening of Overton Square Arts and Entertainment District, the renewal of Broad Avenue Arts, and neighborhood revitalizations in all parts of the city.

This is a special moment in the history of Memphis, and Memphis is moving assertively to capitalize on this new momentum and the rich opportunities for economic growth. Because of the State of Tennessee Convention Center and Tourism Development Financing Act, the former Mid-South Fairgrounds site is one of those opportunities – more than 155 acres in the heart of Memphis that until now has been the embodiment of lost opportunity.

All that changes with the City of Memphis' plans for the site's future – a more than 5 million square feet, more than \$233 million public/private development that will anchor and stabilize the heart of Memphis while attracting new visitors to the city and the state and creating 1,461 jobs with a payroll of \$32.4 million annually.

The development meets the requirements of the TDZ act and creates revenues through the incremental sales tax rebate that finances bonds for \$176,047,000 of the project. The analysis by RKG Associates, Inc. concludes that the projected baseline retail sales are approximate \$214 million, and as a result, there are ample sales tax revenues – projected at \$14.3 million yearly beginning in 2016 - to support the bond

payments of \$11.9 million annually. The 30-year average debt coverage ratio is 1.20. The project financing includes capitalized interest and one year's debt service reserve.

The commitment by City of Memphis to exemplary architectural design and high-quality execution has been seen already with Tiger Lane, 16 acres of parking lots that are now an inviting green space that has become a popular tailgating site for football games in the Liberty Bowl Memorial Stadium. Tiger Lane is the unifying element of the project, stitching together the first-class sports park on the south to the New Urbanist-designed retail center on the north and with the football stadium at Tiger Lane's apex.

In addition to Tiger Lane, City of Memphis has reincarnated the 48-year old stadium, home to University of Memphis football, the Southern Heritage Classic, and the Liberty Bowl, with a repainting, better sound and lighting, new turf, and new Americans for Disability accessibility approved by the U.S. Department of Justice. Also, the stadium - as a result of FedEx's sponsorship - has a new digital display board that is one of the largest in the nation.

With this new development, the much-improved Liberty Bowl Memorial Stadium and Tiger Lane will be joined by:

- Mixed use: 511,200 square feet of retail/commercial/residential/hospitality which may include: retail, restaurants, residential housing and a 180-room hotel/conference center that together create an urban village where people can live, work, and play
- Sportsplex, including a championship Tim McCarver field along with practice fields at nearby Tobey Park, that will become a site for major national, regional, and local competitions
- A multi-purpose building seating just under 5,000 spectators with the flexibility to be reconfigured for sporting and civic events
- The relocation of Fairview Middle School gymnasium to create a revenueproducing use on the prized site where it is located on Central Avenue
- Enhancements to the Children's Museum of Memphis that will redefine it as one
 of the nation's finest museums of its kind

The plan also includes the acquisition of 11.4 acres of adjacent land for greenbelt parking areas and buffers between the development and the neighborhoods.

Like similar projects in numerous cities, the Fairgrounds redevelopment is being driven by City of Memphis as owner. Because of the Fairgrounds' central location, this is a unique opportunity to create a hub of vibrancy and activity, and the fact that the more than 155 acres is city-owned underscores the responsibility of City of Memphis to set the vision that can propel the city of choice blueprint and it is the responsibility of the city government to set the design standards to achieve it. That has been done.

The city's core vision for the Fairgrounds elevates the site to become a magnet for sports competitions and tournaments that attract new visitors from the region and the nation and create new economic impact for Memphis and a vision that provides themed destination retail in a unique urban village environment.

Based on the City of Memphis vision and design for the Fairgrounds, Requests for Qualifications (RFQs) will be disseminated for a retail development company that will be responsible for redevelopment north of Tiger Lane, and a separate RFQ will be distributed to qualified firms for the development and operations of the sports facilities south of Tiger Lane.

City of Memphis has commissioned the in-depth, serious research by experts that ensures that redevelopment plans are rooted in factual analysis. To this end, a national expert on sports facilities has analyzed and advised on the best options for maximizing sports opportunities and revenues at the Fairgrounds in ways that connect, complement, and amplify existing facilities in the region. In addition, a national retail market expert has analyzed revenues produced by the redevelopment to ensure its viability and its success.

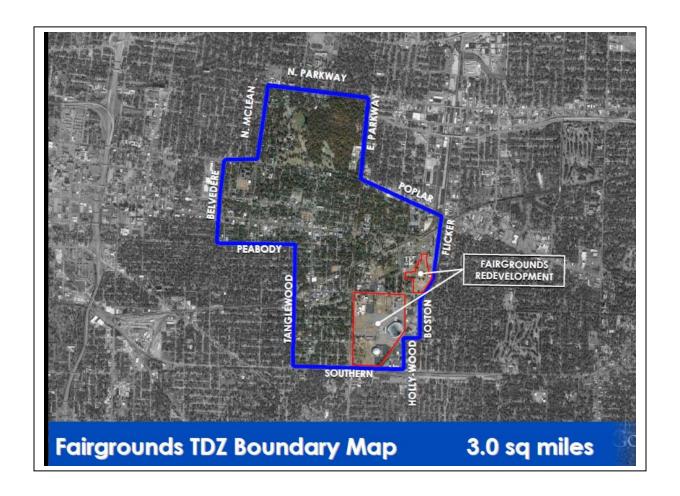
Using the TDZ as the vehicle for financing the Fairgrounds redevelopment and carefully calibrating a plan of redevelopment, the City of Memphis continues to build economic engines, as it has done with redevelopment of The Pyramid into destination retail and a tourist attraction, but this time, its economic engine is anchored in complementary sports venues, children's facilities, and retail.

The present vision for the Fairgrounds site is the result of a methodical public process imagining a better future for this "seriously underutilized public asset" and developing guiding principles, objectives, and site uses. The public's input, which was gathered in several series of meeting with stakeholders, tenants, users, neighborhood groups, business groups, and educational institutions.

The relationship between the elements of the project is symbiotic, each part supporting and elevating the whole so that it is more than the sum of its parts. City of Memphis is approaching this project as the 100-year decision that it is, and because of it, its development strategy is deliberate, its financial projections are conservative, its vision is bold, and its plans are strong.

Today, the site comes alive for seven football games for a total of 28 hours a year. In the future, this will be a site with 365 days of activity and vitality, building on the site's history as common ground for all people and responding to the growing need for its various uses. In these ways, the comeback of the Fairgrounds site represents a significant opportunity to realize the mission and intent of the State of Tennessee Convention Center and Tourism Development Financing Act by creating a tourism magnet and unleashing associated economic growth.

Proposed Tourism Development Zone



In defining the boundaries of the Memphis Fairgrounds Tourism Development Zone, the City of Memphis considered several factors. Firstly, in accordance with the Convention Center and Tourism Development Financing Act of 1998, as amended, the areas in proximity to the proposed Qualified Public Use Facility (QPUF) that would be most beneficially impacted by the project were examined. These areas, as represented by the map below, include neighborhoods and commercial areas of the city that will be beneficially impacted immediately and well into the future with the certification and construction of the QPUF. Secondly, logical boundaries were established around the QPUF and the beneficially impacted area. The Fairgrounds TDZ boundaries include redevelopment areas established by the City, infrastructure boundaries such as roads, highways and railways and to the greatest extent possible, purely residential areas were excluded.

Facility Location and Size

The Memphis Fairgrounds is a 155+-acre tract of land located in the center of Memphis. The Project is generally bordered by Central Avenue on the north, Hollywood Street on the east, Southern Avenue on the south and East Parkway on the west, with adjacent sites at Tobey Park and on Young Avenue for sports fields and public parking respectively. The 5,016,100 sq ft potential components of the Qualified Public Use Facility will consist of:

- Liberty Bowl Memorial Stadium renovations to the 643,000 sq ft, 60,000+ seat football stadium that include ADA improvements, construction of a radial concourse, and field and lighting improvements
- Tiger Lane construction of a 696,960 sq ft (16-acre) green space that serves as the project centerpiece
- Multi-Purpose Building construction of a 129,500 sq ft (4,999 seat) component serving all mat and court sports, as well as meeting and training spaces
- Sports Complex A 1,769,280 sq ft (38-acre) world-class AAU-regulation sports complex configuration which may include, but not be limited to: football, volleyball, basketball, roller hockey, soccer, baseball, cheerleading, dance, wrestling, tennis tournaments, skateboarding and other year-round sporting events
- Urban Park- A 744,960 sq ft (16 acre) urban park which may include a recreational lake, walking trails and championship tournament level disc golf course and skate park
- Children's Museum major renovation of the 480,600 sq ft Children's Museum of Memphis which may include: a water feature, an ice skating rink, and the relocated historic Grand Carousel
- Retail/Commercial/Housing/Hospitality infrastructure and/or construction of up to 400,000 sq ft of specialty and themed retail, 111,200 sq ft hotel and executive conference center, property acquisition and public infrastructure, facilities and parking.
- Family Attraction A 40,600 sq ft family-oriented tourist attraction which will provide a one-of-a-kind experience for children through exposure to athletic, educational, cultural and technological venues.



Local Public Investment

Local Public Investment

Bridge Loan	\$36,847,000
Libertyland Demolition \$ 833,000 Public Greensapce Demolition \$ 1,014,000 Tiger Lane \$16,500,000 Liberty Bowl Stadium Phase I \$ 6,500,000 Liberty Bowl Stadium Phase II \$12,000,000	
Coliseum/Pipkin Building Demolition	\$ 3,000,000
Public Enhancements/Property Acquisitions	\$ 8,000,000
Fairview School Gymnasium Relocation	\$ 3,200,000
Retail/Commercial/Hospitality/Housing	\$32,000,000
Streetscapes, Lighting & Signage	\$ 3,500,000
Multi-Purpose Building	\$30,000,000
Stadium Improvements Phase III	\$ 9,000,000
Iconic Gateway	\$ 3,000,000
Sports Complex	\$15,000,000
Urban Park/Lake/SkatePark	\$ 4,500,000
Children's Museum Expansion	\$ 4,000,000
Family Tourist Attraction	\$ 8,000,000
Contingency	<u>\$16,000,000</u>
TOTAL	\$176,047,000



Anticipated Private Investment in the Tourism Development Zone

Fairgrounds Retail Construction	\$42,000,000
Fairgrounds Restaurant Construction	\$15,000,000
Overton Square Redevelopment	\$26,000,000
Hattiloo Theatre	\$ 3,500,000
Union Avenue Retail Expansion	\$20,000,000
Proposed Museum	\$15,000,000
Proposed Entertainment/Arts District Hotel	<u>\$12,000,000</u>
Total	\$133,500,000





A C WHARTON JR. - Mayor GEORGE M. LITTLE - Chief Administrative Officer LAW DIVISION HERMAN MORRIS, JR. - City Attorney Marcus D. Ward, Senior Assistant City Attorney/HCD

September 10, 2013

Robert Lipscomb, CFO and Director Division of Housing and Community Development 701 North Main Street Memphis, TN 38107

Dear Director Lipscomb:

You have requested an opinion from this office concerning the following;

QUESTION

Whether the Fairgrounds Redevelopment Project, as proposed by the City of Memphis administration, and the project site as set forth herein may be defined as a "qualified public use facility" pursuant to T.C.A. §7-88-103(7)(A)(i) of the Convention Center and Tourism Development Financing Act of 1988. (The "TDZ Act").

ANSWER

Yes, pursuant to the terms, conditions, and qualifications of the TDZ statute, the proposed site of the Fairgrounds Redevelopment Project, including the public structures and the project real estate, meet the definitive qualifications set forth in the statute, including, inter alia, those provisions related to the minimum monetary thresholds for local and private investment, the development of the project for a public purpose as defined by TCA 9-21-105 et seq., and the overall square footage of the project

DISCUSSION

This opinion has been requested in conjunction with the filing of an application for the City of Memphis with the State of Tennessee Department of Finance and Administration seeking certification of a Tourism Development Zone ("TDZ"), in a specified geographic area surrounding the property formerly known as the Mid-South Fairgrounds site (the "Fairgrounds"). On or about February 19, 2013, The Memphis City Council approved a resolution authorizing the City of Memphis to seek approval from the State of Tennessee for a certain geographical area to be certified and formally recognized as the Fairgrounds TDZ, and to designate the former Mid South Fairgrounds site as a qualified public use facility. This resolution was approved by the City Council, and is included with this correspondence as Exhibit "A." Subsequently, if the State of Tennessee approves the Fairgrounds site as a qualified public use facility and determines that the area surrounding it will be beneficially impacted from its construction, the area can be designated by the State as a Tourism Development Zone in accordance with the TDZ Act.

For purposes of this writing, a "qualified public use facility" is defined in T.CA. § 7-88-103(7)(A)(i) as "any building, complex, center, or facility ... containing at least two hundred fifty thousand (250,000) square feet ..., in the aggregate, inclusive of exhibit halls, ballrooms, meeting rooms, lobbies, corridors, service areas and other building areas, or areas 'enclosed thereby, constructed, leased, equipped, renovated, acquired or expanded after January 1, 1998, as a project meeting the requirements of title 9, chapter 21, title 12, chapter 10 or chapter 53 of this title, by a public authority or municipality for purpose of furnishing economic development centers, renovated or new or expanded community facilities for conventions, meetings, exhibitions, trade shows, sports events or other events for educational, entertainment~ business, association, cultural, public interest, public service and common interest groups, organizations and entities and that requires:

(a) On or after January 1, 1998, a local investment of public funds in excess of seventy-five million dollars (\$75,000,000), and is reasonably anticipated to attract private investment in the tourism development zone of more than fifty million dollars (\$50,000,000) after January 1, 1998;

The Fairgrounds project, as presented to the Memphis City Council by the City of Memphis' Division of Housing and Community Development, ("HCD") is a redevelopment and re-use project which will transform approximately 155+ acres of vacant and blighted City owned property into a destination retail center which will be themed around youth and family sports and fitness. The site will contain indoor multi-purpose sports facilities, championship level sports fields, and supportive commercial retail, in an effort to create a major economic development and tourism facility in the central area of the City. The financial data provided by HCD in their presentation to the Memphis City Council indicates that the proposed redevelopment project is expected to consist of a local investment of approximately 176 million dollars, and it is anticipated that the zone will attract approximately 130+ million dollars.

CONCLUSION

Given the provisions set forth in the Act, in conjunction with the redevelopment plan for the Fairgrounds project provided by HCD, and submitted to the Memphis City Council. Also, given the resolution approved by the Memphis City Council on or about February 19, 2013, which authorized the City of Memphis to make application to the State of Tennessee, Department of Finance and Administration for approval of the Fairgrounds TDZ, it is the opinion of this office that the City of Memphis, by and through its relevant offices, that the Fairgrounds site may be considered as a qualified public use facility pursuant to TCA §7-88-103(7)(A)(i)(a), and furthermore, has completed the necessary procedures to present application for acceptance the Fairgrounds TDZ to the State of Tennessee for approval.

Sincerely,

Marcus D. Ward

City Council Resolution

RESOLUTION DESIGNATING A CERTAIN GEOGRAPHIC AREA SURROUNDING THE AREA FORMERLY KNOWN AS THE MID SOUTH FAIRGROUNDS AS A TOURISM DEVELOPMENT ZONE FOR THE PURPOSE OF FINANCING THE FAIRGROUNDS REDEVELOPMENT PROJECT, AND THE LIBERTY BOWL MEMORIAL STADIUM RENOVATIONS

WHEREAS, the Convention Center and Tourism Development Financing Act of 1998, which is codified at TCA §7-88-101 et seq., (the "Act") was enacted to provide a financing mechanism for the development of convention centers, tourist attractions, and other similar public use facilities that would attract and serve as major tourism destinations, thereby fostering economic benefits to the state, as well as to the hosting cities and counties; and

WHEREAS, the City of Memphis, by and through its Division of Housing and Community Development has endeavored to establish the Fairgrounds Redevelopment Project, which consists of the development of the approximately 155 acre Mid South Fairgrounds facility into a destination competitive sports facility, a destination retail facility, and also includes the renovation of the Liberty Bowl Memorial Stadium into an ADA compliant facility in accordance with the City's Agreement with the U.S. Department of Justice, as well as several other aesthetic stadium upgrades; and

WHEREAS, the approximately 155 acre parcel owned by the City of Memphis, and formerly known as the Mid South Fairgrounds will constitute a "Qualified Public Use Facility" within the meaning of the Act a codified at TCA § 7-88-103(7); and

WHEREAS, in order to be eligible to receive certain allocations of state and local sales and use taxes as provided by the the Act, and in accordance with TCA §7-88-103(10), the Memphis City Council must designate an area surrounding the Qualified Public Use Facility that will be beneficially impacted to be designated as the Tourism Development Zone; and

WHEREAS, after careful review of the area, and after consultation with various financial, and strategic planning professionals, commercial and residential community partners, government officials, neighborhood development groups and other public and private entities, the administration for the City of Memphis has presented the area outlined in Exhibit "A" as the proposed Fairgrounds Tourism Development Zone; and

WHEREAS, said Tourism Development Zone and the Qualified Public Use Facility provided herein shall be subject to certification by application to the State of Tennessee Department of Finance and Administration; and

WHEREAS, it has been determined that the foregoing activity is in the best interest of the citizens of Memphis.

Fixance

NOW THEREFORE BE IT RESOLVED BY THE MEMPHIS CITY COUNCIL:

That the geographic area set forth in Exhibit "A" to this resolution shall be formally known as the Fairgrounds Tourism Development Zone, and said area shall be designated as a Tourism Development Zone within the meaning of the Act, shall be entitled to the receipt of all benefits allowed to it pursuant to the Act, and any other relevant statute(s); and

BE IT FURTHER RESOLVED, that the Mayor, the Director of the Division of Housing and Community Development, and / or their duly appointed designees are hereby authorized to file with the Tennessee Department of Finance and Administration an application, pursuant to TCA §7-88-108, seeking certification of the above described tourism development zone and the above described 155 acre parcel as a qualified public use facility; and

BE IT FURTHER RESOLVED, that this resolution shall take effect from and after its adoption, the welfare of the City of Memphis requiring it.

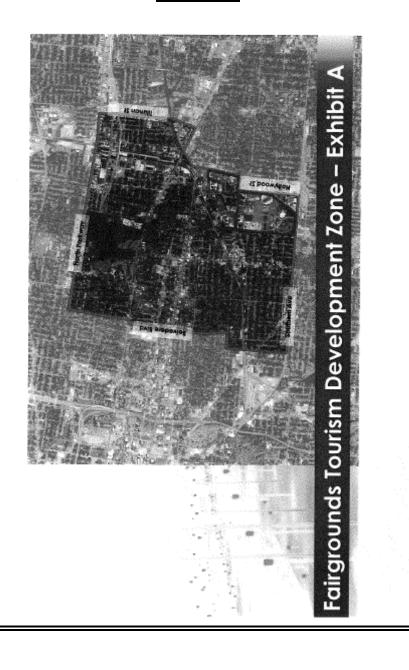
I hereby certify that the foregoing is a true copy and document was adopted, approved by the Council of the City of Memphis in regular session on

Date FEB 1 9 2013

Value C. Sneps

Deputy Comptroller-Council Records

EXHIBIT A



Municipal Representative

The Municipal Representative for the City of Memphis Fairgrounds Tourism Development Zone Application is:

Robert Lipscomb
Director
City of Memphis
Division of Housing and Community Development
701 N. Main St.
Memphis, TN 38107
901-576-7308
Robert.Lipscomb@memphistn.gov

MWBE Participation Plan

The City adopted its current MWBE program in 1996 as a result of the findings in the 1994 Disparity Study, conducted by D.J. Miller & Associates. The Memphis City Council adopted two primary findings to support establishment of the MWBE Program under the Memphis City Code §2-325: first, that construction, professional services and supply firms owned by MWBEs in the Memphis MSA were disproportionately underutilized in City of Memphis contracts and in the Memphis private marketplace; and secondly, that the City of Memphis had been a direct and passive participant in the system of discrimination present in the private marketplace. As such, the City Council found that the City had a compelling interest in remedying the present and past effects of discrimination against African American and women business owners.

The City of Memphis The City of Memphis utilizes its Office of Contract Compliance as the support agency and administrative arm to the Equal Business Opportunity (EBO) Program and the Small Business Enterprise (SBE) Program. The mission of the Office of Contract Compliance is to ensure that the legislative intent of City Ordinance #5384 and City Ordinance #5366, which created the EBO and SBE Programs are carried out in all procurement activities and opportunities. Areas of administrative authority and/or enforcement include areas of City procurement activity: construction, professional services, and goods & non-professional services.

In furtherance of the City's commitment to this mission, the City of Memphis Development team has been very successful in facilitating opportunities for relationship building between General Contractors and minority and women owned businesses. These efforts have resulted in unprecedented MWBE participation rates as seen most recently in the following projects:

- Tiger Lane 51%
- Liberty Bowl Memorial Stadium Phase I 40%
- Liberty Bowl Memorial Stadium Phase II 30%
- Pyramid 43%
- Overton Square 28%
- Lonestar 100%
- Great American Steamboat Company 30%

In compliance with TCA §7-88-116 (d) (C) (iii), it is the intent of the City of Memphis to follow its minority-owned business participation plan, as is outlined in §§ 2-325 through §§ 2-331 of the City of Memphis Code of Ordinances.

M/WBE City Code

Sec. 2-325. Minority and women business enterprise procurement program.

- (a) Findings. The Memphis City Council hereby adopts the following findings:
- (1) Construction, professional services and supply firms owned by M/WBEs in the Memphis MSA have been subjected, disproportionately, to low participation levels in City of Memphis contracts and in the Memphis private marketplace relative to their availability.
- (2) The City of Memphis has been a direct and a passive participant in a system of discrimination in the private marketplace in Memphis and, in the absence of the establishment of certain annual and project goals as well as other procurement strategies, would continue to be a passive participant in such a system.
- (b) Statement of policy. Under all the circumstances and based on the factual predicate which has been established after careful study and review, the City of Memphis has a compelling interest to fully remedy the ongoing effects of past and present discrimination against African Americans and female business owners in both the public and private sectors of its marketplace. As a passive participant in a system of racial and gender exclusion practiced by elements of the local construction, professional and supply industries, the City of Memphis has an affirmative duty to dismantle such a system. This affirmative duty also entails the continuation of initiatives to encourage the development of local small businesses, in general. Essentially, the City of Memphis has a compelling interest to assure that public dollars derived from tax collection and revenues are not utilized to further discriminatory practices.

(a) Definitions.

As used in this article and division, the following terms shall have the following meanings:

Annual participation goals shall mean the targeted levels established by city council of relevant markets for minority or women participation in city professional services contracts, goods and non-professional services contracts, and construction contracts calculated in accordance with this article and division and applicable only to specific gender, ethnic or ethnic minority groups for which goals have been set.

Best bid shall be defined as the responsive quotation, proposal, solicitation or offer that meets specifications, including, if applicable, any project participation goal as set out in the bid packet specifications.

Bid shall mean written quotations, proposals or offers by a bidder or contractor to perform or provide labor, materials, equipment, supplies or services to the City of

Memphis for a price submitted in response to competitive bidding solicitation issued by the City of Memphis.

Bidder shall mean any business enterprise that submits a bid as defined herein.

Business enterprise shall mean a corporation, partnership, sole proprietorship, joint venture, joint stock company, professional association or any other legal entity, operated for profit that is properly licensed and/or otherwise authorized to do business in the State of Tennessee.

Certification shall mean the criteria and process for participation in the program authorized in this chapter.

City and city limits shall mean the City of Memphis, Tennessee and its annexed boundaries, as the same may be amended from time to time.

Commercially useful function means the execution by a minority or woman owned business enterprise, which contracts with the City of Memphis, or subcontract with another business enterprise which contracts with the City of Memphis, of a distinct element of the work of the contract by actually performing, managing, and supervising the work involved. A business enterprise which serves as a conduit for another business shall not be deemed to perform a commercially useful function.

Conduit shall mean a business which purchases goods or services that are not normally purchased or sold as part of its daily business from another business(es) for the sole purpose of resale to the city or a contractor doing business with the city.

Construction contracts shall mean those written agreements between a contractor and the city for the construction, repair, rehabilitation, alteration, conversion or extension of buildings, parks, utilities, streets or other improvements or alteration to real property. Construction projects include the contracts for the labor portion of a project as well as equipment and other supplies to be incorporated in a project.

Contract shall mean and include any agreement between the city and a person or business

enterprise to provide or procure labor, materials, equipment, supplies and services to, for or on behalf of the city. A "contract" shall include an agreement between the city and a person or business enterprise to perform professional architectural and engineering services, construction related services or fund the performance of such services. Except as otherwise specifically defined in this section, a "contract" does not include: (1) awards made by the city with federal/state grant or city general funds monies to a non-profit entity which the city offers assistance, guidance, or supervision on a project or program and the recipient of the grant award uses the grant monies to provide services to the community; (2) sales transactions where the city sells its personal or real property; (3) a loan transaction where the city is acting as a debtor or a creditor; (4) lease and franchise agreements; (5) agreements to use city real property; or, (6) gifts of

materials, equipment, supplies or services to the city. It is not the intent of this program to include federally grant funded contracts subject to a federally promulgated affirmative action program.

Contract compliance officer shall mean the city official who manages specifically designated sections of the program authorized by this chapter.

Contractor shall mean any person or business enterprise that submits a bid or proposal to provide labor, goods or services to the city by contract for profit in the area of construction or construction-related activities; and, person who supplies or provides labor, goods or services to the city by contract for profit; and any person who is a subcontractor under any such contract.

Dealer shall mean a supplier that owns, operates or maintains a store, warehouse or other

establishment in which the materials or supplies required for the performance of the contract are bought, kept in stock, consigned or regularly sold to the public in the usual course of business. To be a dealer, the supplier must engage in, as its principal business, and in its own name, the purchase, sale or consignment of the products in question.

Expertise means demonstrable skills or knowledge of the field of endeavor in which certification is sought, including licensure where required.

Front shall mean a business which purports to be an M/WBE but which is actually owned and/or controlled in a manner which is inconsistent with the requirements for certification set out in this chapter.

Good faith efforts means the steps undertaken to obtain M/WBE participation for subcontracting opportunities related to the bid proposal submitted. Minimum standards are set out in section 2-328(d).

Joint venture shall mean an association of two or more persons, or any combination of types of business enterprises and persons numbering two or more, established to carry on a single business activity, in which each joint venture partner contributes property, capital, efforts, skill and/or knowledge. Joint ventures must have an agreement in writing specifying the terms and conditions of the relationships between the partners and their relationships and responsibility to business activity.

M/WBE advisory committee means the committee, composed of the contract compliance officer, the director of finance or designee, the city engineer or designee, the city attorney or designee, the purchasing agent or designee, the director of housing and community development or designee, the director of information systems or designee, responsible for recommending to the city council the annual minority and women owned business enterprise procurement participation goals.

Minority-owned business enterprise or MBE means a business (including, without being limited to, a sole proprietorship, partnership, corporation, joint venture or any other business or professional entity):

- (1) Which is at least 51 percent owned by one or more minority persons, or, in the case of publicly-owned business, at least 51 percent of all classes of the stock of which is owned by one or more minority persons;
- (2) Whose management, policies, major decisions and daily business operations are independently controlled by one or more of such minority persons;
- (3) Which performs a commercially useful function.

Minority person means those persons, citizens of the United States and lawfully admitted resident aliens, who are African American (persons whose origins are in one of the Black regional groups of Africa).

Owned, managed and independently controlled means the one or more minority persons or women who own(s) the requisite interest in or assets of a business applying for certification, shall possess equivalent incidents of such ownership, including an equivalent interest in profit and loss, and shall have contributed an equivalent percentage of capital or equipment and expertise to the business. Ownership shall be measured as though not subject to the community property interest of a spouse, if both spouses certify in writing that the nonparticipating spouse relinquished control over his or her community property interest in the subject business (but by doing so is not required to transfer ownership interest or to characterize the property as the separate property of the spouse). The one or more minority or women shall have recognized ultimate control over all day-to-day operations by employees of the business, and by those with whom it does business. The ownership and control of the firm shall be real, substantial, and continuing and shall go beyond the pro forma ownership of the firm as related in its ownership documents.

Project participation goal shall mean an alternative goal established for a particular project or contract and calculated as authorized in section 2-327(b).

Proposer shall mean a person or business enterprise which responds to a contract opportunity with the city, solicited as a request for proposal and that possesses the requisite expertise to perform the professional services sought.

Subcontractor shall mean any person or business enterprise providing goods, labor or services to a contractor if such goods, labor or services are procured in fulfillment of the contractor's obligations arising from a contract with the city. Subcontractor includes every level of subcontracting required to fulfill a contract with the city.

Women shall mean those persons, citizens of the United States and lawfully admitted resident aliens, who are of the female gender, and not otherwise included in one of the specific ethnic minority groups.

Women-owned business enterprise or WBE means a business including, without being limited to, a sole proprietorship, corporation, partnership, joint venture, or any other business or professional entity:

- (1) Which is at least 51 percent owned by one or more women; or, in the case of publicly owned business, at least 51 percent of all classes of the stock of which is owned by one or more such women;
- (2) Whose management, policies, major decisions and daily business operations are independently controlled by one or more of such women;
- (3) Which performs a commercially useful function.
- (d) Administrative authority; powers and duties. It is the responsibility of every officer, director, administrator, manager, and supervisor of the City of Memphis to manage the daily administration of the provisions of this division and to assure that the intent of this division is carried out in all procurement activities and opportunities.
 - (1) The overall provisions of this division shall be administered and enforced by the contract compliance officer ("CCO") and, in pertinent parts, in conjunction with the division of finance.
 - (2) The CCO's powers and duties under this division include the following:
 - a. Assist, where directed, the division of finance in establishing written procedures to implement this division;
 - b. Provide information and assistance to M/WBEs to increase their ability to compete effectively for the award of city contracts;
 - c. Keep M/WBEs apprised of opportunities for technical assistance and training;
 - d. In conjunction with the division of finance, monitor contracts for compliance with M/WBE participation goals throughout the contract term;
 - e. Assist, where directed, the division of finance in preparing compliance guidelines for contractors which will include monitoring and reporting procedures and recommendations for actions to be taken should noncompliance occur;
 - f. Monitor the city's progress toward achievement of M/WBE program goals;
 - g. Issue an exit interview for any contract which includes M/WBE prime contractor participation as a joint venture partner. The purpose of the exit interview is to ensure that M/WBEs are actually performing services on joint ventures.

- (e) Certification. For purposes of contracting with the City of Memphis under this program, a minority or woman owned business enterprise must be located within the Memphis MSA (Crittenden County in Arkansas (AR), Desoto County in Mississippi (MS), and Fayette, Shelby and Tipton Counties in Tennessee (TENNESSEE)) and certified as a minority or woman owned business enterprise by the City of Memphis approved central certification agency.
- (f) *Graduation clause*. Certified M/WBEs shall be graduated out of the program once their annual sales exceed the average sales for the industry for three (3) consecutive years, as determined by the federal tax returns for that firm and the four-digit SIC Code U.S Economic Census data. If a M/WBE is engaged in more than one industry, then its graduation level shall be determined by a weighted average of sales for all industries in which the M/WBE is engaged. (Ord. No. 4388, 2-20-96)

Sec. 2-326. Incorporating M/WBE chapter in contracts.

(a) All proposals, bid specifications and contracts for projects which have participating goals, will incorporate by reference this division and all city procedures established pursuant thereto, and will contain the following clause:

"The contractor further agrees that its breach of the M/WBE provisions in the city's M/WBE ordinance shall subject it to any or all of the following penalties:

- (1) If the contractor is a M/WBE, denial of recognition as an approved M/WBE, for purposes of contracting with the City of Memphis, for a period not to exceed one year;
- (2) Withholding of ten percent of all future payments on the involved project until it is determined that the contractor is in compliance;
- (3) Exclusion from submitting a bid or proposals for a period not to exceed one year;
- (4) Termination, by the city, of the contract."
- (b) All contracts for projects with participation goals will require the prime contractor to pay all M/WBE subcontractors their pro-rata share of progress payments made by the city to the prime contractor. The pro-rata share will be based on all work completed and materials furnished by the subcontractors in the period for which the progress payment was made. Payments will be made within a reasonable period of time (as specified by the city's M/WBE procedures), unless the prime contractor has good cause for not making any such payments. The payments may be reduced by the pro-rata share of retainage withheld from the prime contractor up to a maximum of five percent. The contracts will also require the prime contractor, prior to receiving a progress payment from the city, to certify that it has paid all previous progress payments to M/WBE contractors, unless the contractor demonstrates good cause for not making any such payments and furnishes written notification of any such cause to the user division, the contract compliance office and the affected M/WBE subcontractor.

(c) All contracts for projects with participation goals, will require the prime contractor to report all payments to and utilization of M/WBE subcontractors for review and approval before final payment is made by the city under the contract. (Ord. No. 4388, 2-20-96)

Sec. 2-327. M/WBE goals

- (a) Overall goals. In order to provide M/WBEs equal opportunity and access to participate in all city procurement of construction-related services, goods and non-professional services and professional services, the city hereby incorporates the following six factors as part of its goal setting methodology in establishing annual M/WBE goals:
 - (1) The number of minority and female owned businesses in the relevant market area:
 - (2) The availability of minority and female owned businesses in the relevant market area willing to do business with the city;
 - (3) The general availability of minorities and females having the requisite skills to manage and/or form businesses in the relevant market area;
 - (4) The percentage of minority and female businesses compared to the total number of businesses in the relevant market;
 - (5) The availability of minority and female businesses in the relevant market area which an agency can reasonably add to its certification list; and
 - (6) The degree of outreach and training the city is reasonably able to undertake as a means of making opportunity available to minority and female businesses.

The initial annual M/WBE goals shall be:

(1) Goals for construction:Seventeen percent - MinorityEight percent - WomenTwenty-five percent - Total Goal

(2) Goals for goods and non-professional services:Seventeen percent - MinorityTwenty percent - WomenThirty-seven percent - Total Goal

(3) Goals for professional services: Fifteen percent - Minority Nine percent - Women Twenty-four percent - Total Goal

The annual goals provided above shall be reviewed annually by the M/WBE advisory committee. These overall M/WBE participation goals are only intended to be benchmarks for evaluating the overall performance of the M/WBE program on an annual basis. These participation goals are not and, shall not be quotas. For purposes of determining or satisfying annual participation goals, only the participation of minority

or woman owned business enterprises located within the Memphis MSA and certified by the city's contracted central certification agency will be considered.

(b) *Project participation goals.* On individual contracts or projects, there is no requirement that the above annual M/WBE goals be met. The M/WBE advisory committee shall have the responsibility of determining whether a project participation goal is warranted on any given project. On any individual contract or project, these annual goals may not be met, or may be exceeded, depending upon several factors, such as the availability of qualified M/WBE business enterprises, the nature of the project, adverse impact on non-M/WBE business enterprise, good faith efforts of contractors or vendors, or other relevant factors. For purposes of determining or satisfying project participation goals, only the participation of minority or woman owned business enterprises located within the Memphis MSA and certified by the city's contracted central certification agency will be considered.

(c) Construction.

- (1) Construction projects goals setting committee.
 - a. There is hereby established a construction projects goals setting committee ("construction committee"). The membership of this committee will consist of the CCO, serving as chairperson; the city engineer or designee; and the city attorney or designee.
 - b. The construction committee shall establish specific participation goals for each construction project, the cost of which is estimated to be in excess of \$100,000.00. Said goals will be individual minority and women business enterprise participation goals, the sum of the individual goals not to exceed 50 percent of the total contract amount for each project.
- (2) Outreach for construction. For any construction project, the CCO, and, in certain instances, in conjunction with the purchasing agent and the city engineer, will make good faith efforts to promptly notify M/WBEs, which are available to provide the needed construction services, of the contracting opportunities. The notification shall advise the M/WBEs:
 - a. Of the specific work the city intends to contract;
 - b. That their interest in the project is being solicited; and
 - c. How to obtain request for proposals or invitations to bid or information or specifications on the proposed contract.
- (d) Goods and non-professional services.
 - (1) Outreach for goods and non-professional services. For all anticipated procurement of goods and non-professional services, the CCO, and, in certain instances, in conjunction with the purchasing agent or the soliciting division, will make good faith efforts to promptly identify and notify M/WBEs, which are available to provide the needed goods or services, of contracting opportunities.

The notification shall advise the M/WBEs:

- a. Of the specific work the city intends to contract;
- b. That their interest in the project is being solicited; and
- c. How to obtain request for proposals or invitations to bid or information or specifications on the proposed contract.

(e) Professional services.

- (1) Professional services projects goals setting committee.
 - a. There is hereby established a professional services review committee ("professional services review committee"). The committee shall consist of the CCO serving as chairperson, the director of the user division, the director of finance, and the city attorney, or the respective designee of each.
 - b. The professional services committee shall review a professional services project costing \$50,000.00 or more to determine which, from the following, is or are the best methods for ensuring M/WBE participation. c. If participation goals are established for a project, the contractor shall provide to the CCO documentation of good faith efforts to achieve said goals in the same manner as provided in section 2-328(d).
- (2) Outreach for professional services. For all anticipated procurement of professional services, the CCO, and, in certain instances, in conjunction with the purchasing agent and director of the soliciting division, will make good faith efforts to identify and notify M/WBEs, which are available to provide the needed services, of the contracting opportunities on annual basis. Said notification shall advise the M/WBEs:
 - a. Of the specific work the city intends to contract;
 - b. That their interest in the project is being solicited; and
 - c. How to obtain request for proposals or invitations to bid or information or specifications on the proposed contract. (Ord. No. 4388, 2-20-96)

Sec. 2-328. Requirements of bidders and contractors

- (a) General requirements.
 - (1) All bidders on any construction project, or any professional services project in which the bidders subcontract with M/WBEs or enter into joint ventures with M/WBEs, are required to complete and submit, as a part of their bids, the following:
 - a. Schedule of participating certified M/WBE subcontractors or joint venturers;
 - b. Affidavit declaring the bidder's intention to fully comply with the provisions of this chapter and all city procedures established pursuant hereto.
 - c. Letters of intent from subcontractors within ten days after notification of contract award.

- (2) Proposed changes to the designated participation of women or minority business enterprises in a bidder's bid, on any project, after submission of bids, including during performance of a contract, must be submitted to the user division and the CCO. Bidders and contractors must make a good faith effort to replace a woman or minority business enterprise subcontractor or joint venturer with another certified woman or minority business enterprise, based on said enterprises' availability. All substitutes for women or minority business enterprise subcontractors or joint venturers require prior approval by the CCO, not to be unreasonably withheld; and said approval may be granted for reasons
- including, but not limited to, the following:
 - a. Subcontractor or joint venturer requests that its subcontract or joint venture agreement with the prime contractor be voided;
 - b. Subcontractor or joint venturer is unable to perform the work;
 - c. Subcontractor or joint venturer has consistently performed unacceptable work.
 - (3) The apparent low and best bidder on any project must submit copies of all executed subcontracts or joint venture agreements with M/WBEs listed in the bid documents, within ten business days after the prime contractor receives an executed contract.
 - (4) A bidder's failure to submit any information required by this chapter or the city's M/WBE program procedures may render the bid nonresponsive and ineligible for consideration.
- (b) Regulations on brokering services.
 - (1) M/WBEs are required to perform a commercially useful function on contracts let or made pursuant to this chapter.
 - (2) Only expenditures to or contracts with M/WBEs that perform a commercially useful function in the work of a contract may be counted towards the M/WBE goal. A M/WBE is considered to perform a commercially useful function when it is responsible for execution of a distinct element of the work of a contract and carrying out its responsibilities by actually performing, managing and supervising the work involved. To determine whether a M/WBE is performing a commercially useful function, the city will evaluate all relevant
 - factors such as, for example, the amount of work subcontracted and industry practices.
 - (3) Consistent with normal industry practice, a M/WBE may enter into subcontracts. If a M/WBE subcontracts 50 percent or more of the work, the M/WBE shall be presumed not to be performing a commercially useful function. The M/WBE may present evidence to rebut this presumption to the city.

(c) Construction projects.

- (1) Goal achievement.
 - a. Contractors are responsible for achieving participation goals, as established by the construction committee, on construction projects and maintaining said goals for the duration of the project.

- b. If the prime contractor or bidder on a construction project is a certified woman or minority business enterprise, then the participation goal for the M/WBE classification of said prime contractor or bidder shall be deemed met. The bid of said prime contractor or bidder will be subject, however, to participation goals for M/WBE classifications other than its own classification.
- (d) Good faith efforts. Any bidder, submitting a bid on a construction project, which does not meet participation goals established by this chapter, must provide in its bid, documentation of good faith efforts to achieve said goals. Documentation of good faith efforts will include, but not be limited to, the following:
 - (1) Attendance at pre-bid conference, if held;
 - (2) Copies of written notification sent to all city certified M/WBEs that perform the type of work to be subcontracted, in sufficient time to allow said M/WBEs to participate effectively, soliciting said M/WBEs' interest in working on the project and advising the M/WBEs:
 - a. Of the specific work the bidder intends to subcontract;
 - b. That their interest in the project is being solicited; and
 - c. How to obtain information for the review and inspection of the plans, specifications and requirements of the bid.
 - (3) A written statement that economically feasible portions of work were selected to be performed by M/WBEs, including, where appropriate, segmenting elements of work or combining elements of work into economically feasible units. The ability of the bidder to perform the work with its own work force will not in itself excuse the bidder from making good faith efforts to meet participation goals.
 - (4) A statement of the efforts made to negotiate with M/WBEs, including:
 - a. The names, addresses and telephone numbers of M/WBEs, who were contacted;
 - b. The date negotiations took place:
 - c. A description of the information provided to M/WBEs regarding the plans, specifications and requirements for portions of the work to be performed.
 - (5) A statement of the efforts made to assist M/WBEs contacted who need assistance in obtaining bonding, insurance, financing, or in reviewing the plans, specifications and requirements of the bid.
 - (6) A statement that the bidder submitted all quotations received from M/WBEs and, for those quotations not accepted, a statement of the reasons why the M/WBE will not be used to work on the project; provided, that submission of the actual quotations received from M/WBEs within ten business days from bid opening shall be deemed a compliance of this subsection; provided, further, that during this ten-day period no bids shall be solicited from any M/WBEs for the involved project. Receipt of a lower quotation from a non-M/WBE will not in itself excuse a bidder's failure to meet participation goals.

(7) As to each M/WBE contacted, which the bidder considered not to be qualified, a statement of the reasons for the bidder's conclusion based on an investigation of said M/WBE's capabilities, The determination of whether a bidder has made good faith effort will be made by the CCO, the director of finance and the purchasing agent, prior to the award of the project.

(e) Post-award contract compliance.

- (1) The contractor shall submit monthly reports in such form, manner and time as required by the CCO and, in certain instances, the director of finance and/or purchasing.
- (2) The contractor shall notify the user division and the contract compliance office of any situations in which regularly scheduled payments are not made to M/WBE subcontractors.
- (3) At the completion of performance on the construction project, the contractor or awardee is required to submit a final schedule of participating certified M/WBE subcontractors to the user division and the contract compliance office. This document will be an affidavit denoting final contract amount and payments made to M/WBE subcontractors.

(f) Exceptions and waivers.

- (1) The CCO will waive a construction project's participation goals for a bidder when reasonable good faith efforts are shown by such bidder.
- (2) The CCO will waive the M/WBE good faith efforts requirements of this chapter under the following circumstances:
 - a. Whenever the CCO finds, with the advice of the user division and purchasing agent, that any needed services or goods are available only from a single source, which is not a M/WBE, and the prospective contractor or awardee is not currently disqualified from doing business with the city based on a failure to comply with the provisions of this chapter or city procedures established pursuant hereto;
 - b. If the user division certifies in writing to the CCO that an emergency exists, and no M/WBEs capable of performing the emergency work are immediately available.

(Ord. No. 4388, 2-20-96)

Sec. 2-329. Reserved

Sec. 2-330. Enforcement

- (a) Generally. [Reserved.]
- (b) Noncompliance by bidders or contractors.

- (1) A determination by the CCO that the bidder or contractor has failed to comply with any provision of this chapter shall subject the offending party to any or all of the following penalties:
 - a. Declare the bidder's bid non-responsible and ineligible to receive the involved contract:
 - b. If the contractor is a M/WBE, denial or revocation of the city certification as a M/WBE for a period not to exceed one year;
 - c. Withholding from the contractor in violation ten percent of all future payments under the involved project until it is determined that the contractor is in compliance;
 - d. Exclusion from submitting a bid for a period not to exceed one year;
 - e. Termination, by the city, of the contract.
- (2) A determination by the CCO that a M/WBE has failed to comply with section 2-328(b), regulations on brokering services, shall subject the offending party to revocation of the city certification as a M/WBE for a period not to exceed one year.
- (3) An appeal by a non-responsive bidder, contractor, or M/WBE under this chapter will be resolved pursuant to City of Memphis appeals procedures as adopted.
- (4) The CCO may require such reports, information and documentation from bidders, contractors, M/WBEs, user division and the head of any division or office of the city as are reasonably necessary to determine compliance with the requirements of this chapter.
- (c) Criminal sanction for fraud. If the CCO determines that substantial evidence is available indicating that fraud or other unlawful activity has been committed:
 - (1) By a M/WBE certification or re-certification applicant;
 - (2) By a certified M/WBE or majority prime contractor falsely reporting the utilization of M/WBE subcontractors; or
 - (3) By an individual or firm attempting to benefit from or participate in the M/WBE program, through fronting activity, false representation of a commercially useful function, or other fraudulent or unlawful activity, the matter shall be referred to the appropriate legal authorities and the City of Memphis Legal Division for criminal prosecution; and, in the event a conviction or guilty plea is obtained stemming from such criminal prosecution, the business entity and principals shall be barred from participation in city contracts for one year. Fronting activity shall be defined as any occurrence of collusion between a M/WBE and a majority business enterprise for the purpose of exploiting that M/WBE's minority or female certification status to primarily benefit a majority firm without the performance of any commercially useful function by that M/WBE.
- (d) Notification of noncompliance, denial or revocation of certification. Upon a determination of non-compliance with the provisions of this chapter or any city

procedures established pursuant hereto, the CCO shall notify the affected party in writing by certified mail, return receipt requested, setting forth the reasons for the determination of non-compliance. Any appeal on the basis of non-compliance shall be conducted in conformity with procedures established by the City of Memphis as adopted.

The City of Memphis has contracted with a central certification agency to review, investigate, certify and re-certify M/WBE business enterprises. Upon a denial or revocation of certification as a M/WBE by the central certification agency, the City of Memphis hereby adopts and recognizes the policies, procedures and appeals process of the certification agency as controlling. (Ord. No. 4388, 2-20-96)

Sec. 2-331. Miscellaneous

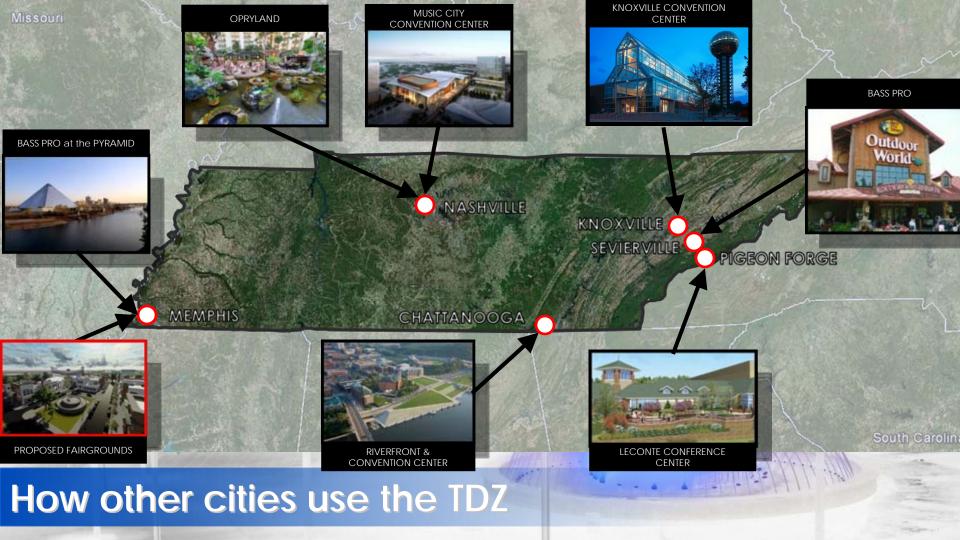
- (a) Sunset clause. The minority and women business enterprises procurement program will expire on June 30, 2006, unless prior to such date the city council, after conducting public hearings, finds that the purposes of this division have not yet been achieved, in which case it may extend the effective period of this division for an additional five (5) years.
- (b) *Bid preferences*. If upon review of the results of the annual program goals, the city determines that it has not achieved the individual M/WBE program goals based on contracts let or awards made during the preceding fiscal year for women or minority business enterprises, then the city may consider amending said ordinance to include bid preferences as maybe permitted by law.
- (c) Severability. If any provision, section, sentence, clause or phrase of this division, or the application of same to any person or set of circumstances is for any reason held to be

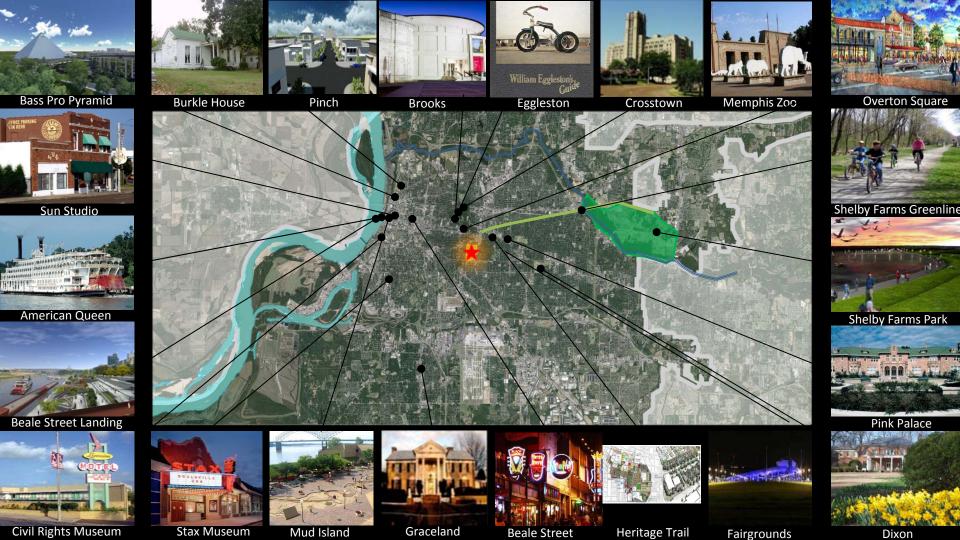
unconstitutional, void, invalid or, for any reason, unenforceable, the validity or enforcement of the remaining portion of this division or its application to other persons or sets of circumstances shall not be affected thereby, it being the intent of City Council of the City of Memphis, Tennessee in adopting this division that no portion hereof or provision or regulation contained herein shall become inoperative or fail by reason of any unconstitutionality or invalidity of any other portion, provision or regulation.

(Ord. No. 4388, 2-20-96; Ord. No. 4866, § 1, 6-5-01)











The Fairgrounds TDZ Project Vision

The Memphis Fairgrounds is a 155+-acre tract of land located in the center of Memphis. The 5,016,100 sq ft potential components of the Qualified Public Use Facility will consist of:

- •Liberty Bowl Memorial Stadium 643,000 sq ft
- •Tiger Lane 696,960 sq ft
- •Multi-Purpose Building 129,500 sq ft
- •Sports Complex 1,769,280 sq ft
- •Urban Park- 744,960 sq ft
- •Children's Museum 480,600 sq ft
- •Retail/Commercial/Housing/Hospitality 511,200 sq ft
- •Family Attraction 40,600 sq ft

Fairgrounds Redevelopment - Components









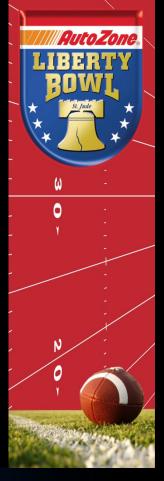












Liberty Bowl Memorial Stadium Tenants



Sports Complex









Children's Museum











Neighborhood Improvements

Christian Brothers University
Shelby County Schools
Cooper –Young Neighborhood

Children's Museum of Memphis

Kroc Center

Liberty Bowl Memorial Stadium (University of Memphis/Southern Heritage Classic/Liberty Bowl)

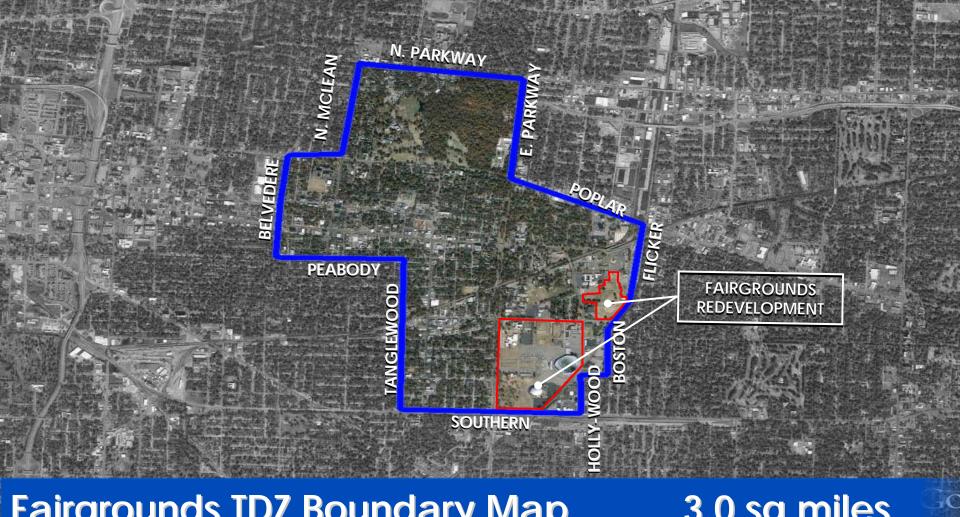
Beltline Neighborhood

Chickasaw Gardens Neighborhood

Orange Mound Neighborhood

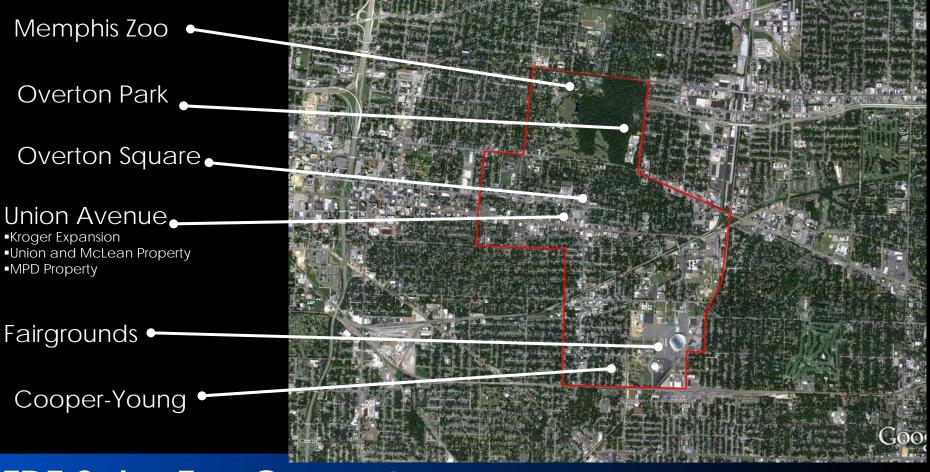


Community Input



Fairgrounds TDZ Boundary Map

3.0 sq miles



TDZ Sales Tax Generators

Bridge Loan Payoff		\$ 36,847,000
Libertyland Demolition	\$ 833,000	
Public Greenspace Demolition	\$ 1,014,000	
Tiger Lane Liberty Bowl Stadium Phase I	\$16,500,000 \$ 6,500,000	
Liberty Bowl Stadium Phase II ADA	\$ 6,500,000 \$12,000,000	
Coliseum/Pipkin Demolition	•••••	\$ 3,000,000
Enhancements/Property Acquisitions (Hollywood,	and East Parkway)	\$ 8,000,000
Fairview School Gymnasium Relocation		\$ 3,200,000
Retail/Commercial/Hospitality/Housing & Infrastr	ucture	\$ 32,000,000
Streetscapes, Lighting & Signage		\$ 3,500,000
Streetscapes, Lighting & Signage		\$ 30,000,000
Stadium Improvements Phase III Iconic Gateway		\$ 9,000,000
Iconic Gateway		\$ 3,000,000
Sports Fields		\$ 15.000.000
Urban Park/Lake/Skate Park Children's Museum Expansion		\$ 4,500,000
Children's Museum Expansion		\$ 4,000,000
Creative Arts/Family Tourist Attraction	• • • • • • • • • • • • • • • • • • • •	\$ 8,000,000
Contingency		\$ 16,000,000
	Total	\$176,047,000
TDZ Project Cost Estim	ate	









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I. EXECUTIVE OVERVIEW

A. Introduction and Purpose

RKG Associates, Inc. (RKG) was retained by the City of Memphis, Division of Community Housing and Development (HCD), to complete an analysis of the potential incremental sales tax generated within a designated tax increment zone including the Fairgrounds, as part of a proposed tourism development zone (TDZ). The estimated



incremental sales tax revenue from the proposed retail and

Figure 1 - Aerial View of the Fairgrounds (pre-repositioning)

other commercial development within the Fairgrounds TDZ could serve as a financial resource to support on-site improvements to the Fairgrounds. In this research and analysis, RKG is working with O. T. Marshall Architects for design/cost analysis.

1. Fairgrounds Development Plan

The Fairgrounds is a 155± acre site generally bounded by Central Avenue (north), Hollywood Street (east), Southern Avenue (south) and East Parkway (west). Construction is complete on the Memphis Public Greenspace Project (Tiger Lane), providing access through the Fairgrounds from East Parkway as a new gateway entrance and serving as a passive recreation facility for events at the Liberty Bowl. Existing development that will remain as part of the Fairgrounds includes the Liberty Bowl, the Children's Museum of Memphis, the Kroc Center and the Fairview School. Components of the overall redevelopment, in addition to the recently completed Tiger Lane, include, but may not be limited to, the following:

- Renovations to the Liberty Bowl Memorial Stadium including improved handicap accessibility, a new scoreboard as well as suite and press box improvements.
- A multi-purpose sports complex with soccer fields, ball fields and other recreational amenities.
- An indoor sports facility with basketball and volleyball courts.
- Expansion of the Children's Museum of Memphis.
- Retail development in an urban village type setting with an approximate 120,000 SF anchor store, and up to 280,000 SF of other retail development.

RKG Associates, Inc.

• An approximate 180-room hotel, totaling approximately 111,400 SF, inclusive of 20,000± SF of conference center/meeting space.

Also included as part of the Fairgrounds development is the acquisition of 32 adjacent parcels of land, totaling about 11.4 acres. This additional land is to be utilized as a greenbelt parking area and land buffer for the adjoining residential neighborhoods. In this analysis these parcels have been included as part of the Fairgrounds site "proper". Estimated development costs¹ to the public sector are \$176± million² which includes \$32 million in infrastructure improvements for the proposed Fairgrounds development. The estimated private sector costs for development are estimated to be slightly more than \$57 million.

B. Summary Findings

The key findings of this analysis are summarized in this section. It should be noted that a separate report, *Memphis Fairgrounds*, *Memphis*, *TN – Market and Feasibility Analysis*, *draft of November 2009*, prepared by C. H. Johnson Consulting, Inc. for the City, discusses the general market demographics and feasibility for a sports and recreation complex. That report is not duplicated in this analysis. However, specifics with respect to retail and real estate conditions potentially impacting the TDZ are discussed. The inputs and assumptions which are the basis of the financial estimates in this analysis are presented in greater detail throughout this report and represent the consultants' best professional opinions. However, there is no assurance that actual events will correspond with the assumptions on which such estimates are based. Consequently, no guarantee can be made that the estimated net new TDZ revenues will correspond with the results actually achieved in the future.

1. Employment and Wage Impacts

The following Table 1 presents estimated employment and wage impacts, as if fully-built out and at stabilized occupancy, from the redevelopment of the Fairgrounds site, indicating:

- The estimated ongoing direct employment is 1,461 positions with an estimated annual payroll of \$32.4 million. Ongoing employment at the Fairgrounds site represents the proposed private sector retail and hospitality development. The estimated direct employment is a function of the size of the development, such that a 120,000 SF anchor store, divided by industry standards³ reflecting average SF per employee, in this example 425 SF/employee, would result in 282 retail employees.
- The wages associated with this employment reflect the average annual wage for the retail industry sector, as provided by the Tennessee Office of Labor and Workforce Development, inflated to 2016 dollars (the assumed first year of stabilized occupancy). As an example, the 282 employees at the anchor store, earning an annual \$21,410/employee, result in \$6 million in total wages.
- In addition to the direct employment and wages, this analysis presents an estimate of indirect/induced employment and wages as "spin-off" or multiplier impacts. The

RKG Associates, Inc.

¹ For ease to the reader, values are rounded in the narrative, but are unrounded in the tables and the spreadsheets.

² Public sector construction costs were provided by the City of Memphis, Division of Community Housing and Development. Private sector construction costs were provided by O. T. Marshall Architects, ranging from \$160/SF to \$175/SF, on average.

³ The Urban Land Institute (ULI)

multipliers were developed by the US Department of Commerce using the RIMS II modeling⁴ and are estimated to reflect local capture rates, or impacts, of 30%. For the anchor retail store the indirect/induced employment is estimated to be 46 positions with a total annual wage of \$1.3 million. The total ongoing and indirect/induced employment is estimated to be 237 positions with an annual wage of \$7 million.

In summary, the estimated ongoing employment and wages, both direct and indirect/induced, is 1,698 positions with an annual wage of \$39.5 million.

Table 1 - Estimated Employment and Wage Impacts from Fairgrounds Redevelopment

	FAIRGROUNDS - Proposed Urban Village Commercial Development								
	Inputs and	Anchor	Other	Hotel	TOTAL				
	Assumptions	Retail	Retail	Component	FAIRGROUNDS				
PROPERTY USE									
Square Feet (SF) of Development		120,000	280,000	111,400	511,400				
Number of Hotel Rooms		120,000	200,000	180	180				
Number of floter Rooms				180	180				
ONGOING EMPLOYMENT and WAGE IMPACTS	5								
Estimated Direct Employment		282	1,120	59	1,461				
Indirect Employment @ Local Capture	30.00%	46	181	10	237				
Total Employment		328	1,301	69	1,698				
Estimated Direct Annual Earnings		\$6,045,224	\$23,979,388	\$2,387,533	\$32,412,145				
Indirect Annual Wages @ Local Capture	30.00%	\$1,306,857	\$5,183,864	\$542,710	\$7,033,431				
Total Wages (2016)		\$7,352,080	\$29,163,253	\$2,930,243	\$39,445,576				
		Anchor	Other	Hotel					
Inputs and Assumptions		Retail	Retail	Component	Construction				
Direct SF / Employee		425	250	1,900	NA				
Indirect Employee Multiplier		0.5379	0.5379	0.5850	0.9141				
Direct Annual Wage (FTEs)		\$21,410	\$21,410	\$40,721	\$60,988				
Indirect Wage Multiplier		0.7206	0.7206	0.7577	0.8788				
Sales / SF		\$400	\$250	NA	NA				
Estimated Room Night Demand				65,700					
Estimated Occupancy				65.00%					
Estimated Room Revenue				\$130					

SOURCE : RKG ASSOCIATES, INC.

2. TDZ Revenue Stream

The proposed Fairgrounds TDZ is an approximate three square mile area about the Fairgrounds and the estimated retail sales in 2012 were nearly \$201.8 million, accounting for an estimated \$16.9 million in baseline sales tax (as adjusted)⁵. The first year of the incremental retail sales stream is assumed to be 2016. The baseline 2012 sales tax is inflated annually by 1½% through 2016 within the TDZ, which then becomes the baseline and benchmark year of 2016.

As a result, the estimated baseline retail sales in 2016, is estimated to be slightly less than \$214.1 million and account for an adjusted \$18 million in sales tax, representing an approximate 6 % increase over the 2012 adjusted sales tax. The incremental and net new retail sales and sales tax in 2016, from the Fairgrounds, Overton Square and other projects in

⁴ A discussion of the RIMS II modeling, by Boston University, is at www.bu.edu/esi/research-methodology/rims/.

⁵ Baseline state sales tax of 7% and a city sales tax of 2.25% for a total rate of 9.25%, however, the applicable sales tax rate is reduced by -0.5% to reflect a required set-aside for education funding. As a result the applicable sales tax rate (non-grocery) for the proposed TDZ is 8.75%. The applicable sales tax rate for grocery purchases is 7.25%, less the -0.5% set aside, or 6.75%.

the TDZ, are estimated to be \$130 million and \$11.9 million, respectively, assuming full build-out and full occupancy⁶.

Given the inputs and assumptions utilized in this analysis, over the 30-year term, the estimated Fairgrounds TDZ applicable incremental retail sales taxes total \$447.3 million or \$15 million annually (Table 2). RKG cautions that there is no assurance that actual events will correspond with the assumptions on which the preceding estimates are based. Consequently, no guarantee can be made that the estimated net new TDZ revenues will correspond with the results actually achieved in the future. Additionally, the consultants are aware of an ongoing dialogue in Memphis regarding a potential increase in the sales tax rate; however, this analysis assumes that any such increase, if it comes to pass, will be a dedicated revenue stream for other specific uses/applications.

Map 1 - Boundaries of Fairgrounds Tourism Development one (TDZ)



⁶ A 15% vacancy factor is applied except to the single-store anchor tenant. This factor coincides with that for Downtown / Midtown Memphis as reported by CB Richard Ellis (CBRE) in *Market View Memphis Retail First Quarter 2013*.

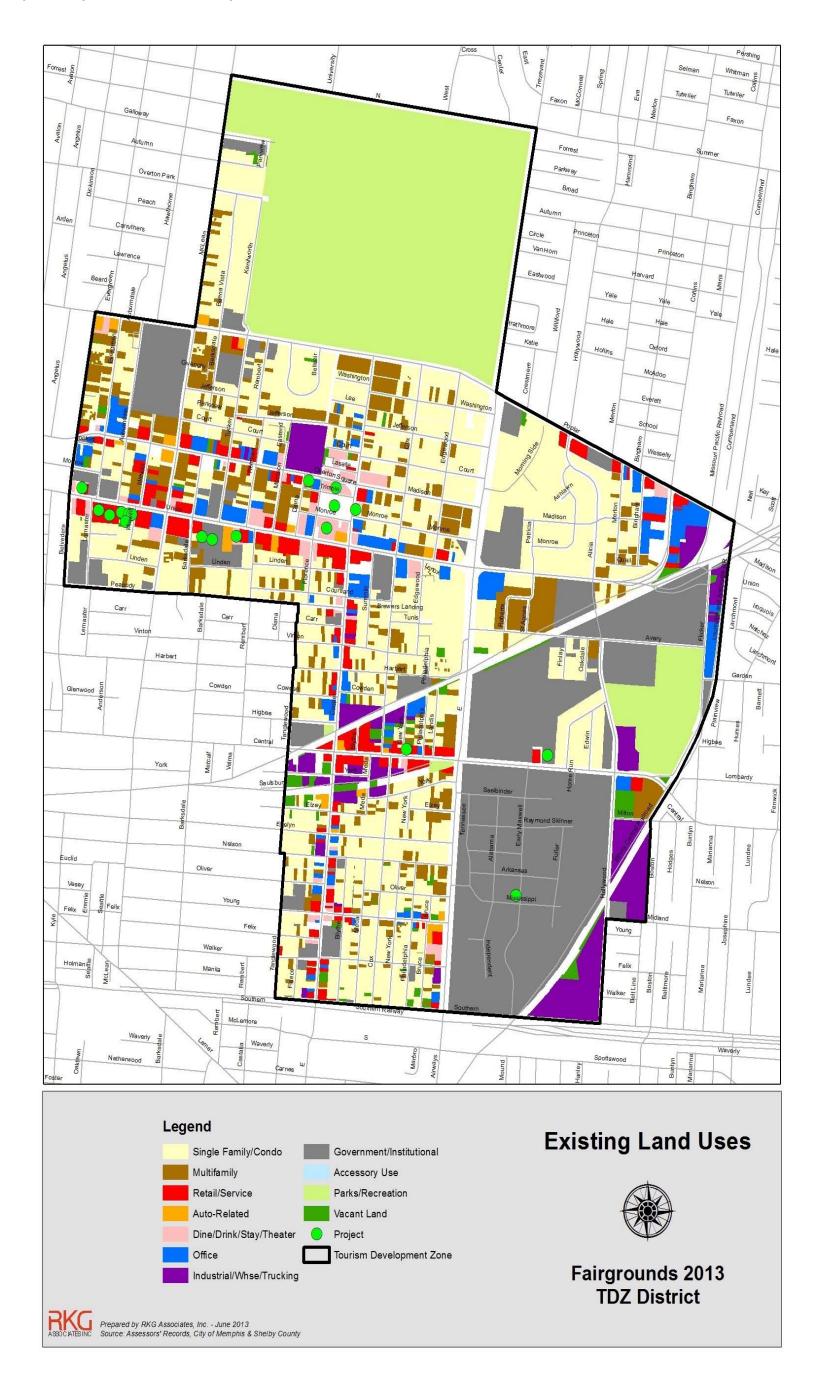
TDZ Tax Impact Analysis for the Proposed Fairgrounds Development – Memphis, TN

Table 2 - Fairgrounds TDZ Incremental Retail Sales Tax - 2016 through 2035

Table 2 - Fairgrounds IDZ Incremental Retail Sales 16		OUNDS - Propos	ed Urban Village	e Commercial D	evelopment			OTHER Project	s		
	Inputs and	Anchor	Other	Hotel	TOTAL	Dine &	Other	Overton		TOTAL	GRAND
A	ssumptions	Retail	Retail	Component	FAIRGROUNDS	Drink	Retail	Retail	Dine & Drink	OTHER	TOTAL
PROPERTY USE		120,000	200.000	444 400	544 400	42.250	20.000	22.075	25.405	02.005	COT 205
Square Feet (SF) of Development		120,000	280,000	111,400	511,400	12,358	20,000	23,875	25,185	93,805	605,205
Number of Hotel Rooms				180	180						180
										_	
Annual Retail Sales (2016 \$)		\$48,000,000	\$70,000,000	NA	\$118,000,000	\$6,179,000	\$9,000,000	\$5,968,750	\$12,592,500	\$33,740,250	\$151,740,250
Less Vacancy Factor	-15.00%		(\$10,500,000)	NA	(\$10,500,000)	(\$926,850)		(\$895,313)	(\$1,888,875)	(\$3,711,038)	(\$14,211,038)
Less Sales Transfer	-5.0%	(\$2,400,000)	(\$3,500,000)	NA	(\$5,900,000)	(\$308,950)	(\$450,000)	(\$298,438)	(\$629,625)	(\$1,687,013)	(\$7,587,013)
Net Retail Sales		\$45,600,000	\$56,000,000	NA	\$101,600,000	\$4,943,200	\$8,550,000	\$4,775,000	\$10,074,000	\$28,342,200	\$129,942,200
ESTIMATED SALES TAX REVENUE											
Sales Tax (9.25% non-grocery and 7.25% grocery)		\$4,218,000	\$5,180,000	\$513,528	\$9,911,528	\$457,246	\$790,875	\$441,688	\$931,845	\$2,621,654	\$12,533,181
Less Set-Aside for Education	-0.50%	(\$228,000)	(\$280,000)	(\$27,758)	(\$535,758)	(\$2,286)	(\$3,954)	(\$23,875)	(\$50,370)	(\$80,486)	(\$616,244)
Estimated NET Sales Tax - YEAR 1	2016	\$3,990,000	\$4,900,000	\$485,769	\$9,375,769	\$454,960	\$786,921	\$417,813	\$881,475	\$2,541,168	\$11,916,937
Year 2	2017	\$4,049,850	\$4,973,500	\$493,056	\$9,516,406	\$461,784	\$798,724	\$424,080	\$894,697	\$2,579,285	\$12,095,691
Year 3	2018	\$4,110,598	\$5,048,103	\$500,452	\$9,659,152	\$468,711	\$810,705	\$430,441	\$908,118	\$2,617,975	\$12,277,127
Year 4	2019	\$4,172,257	\$5,123,824	\$507,959	\$9,804,039	\$475,742	\$822,866	\$436,897	\$921,739	\$2,657,244	\$12,461,284
Year 5	2020	\$4,234,841	\$5,200,681	\$515,578	\$9,951,100	\$482,878	\$835,209	\$443,451	\$935,565	\$2,697,103	\$12,648,203
Year 6	2021	\$4,298,363	\$5,278,692	\$523,312	\$10,100,366	\$490,121	\$847,737	\$450,103	\$949,599	\$2,737,560	\$12,837,926
Year 7	2022	\$4,362,839	\$5,357,872	\$531,161	\$10,251,872	\$497,473	\$860,453	\$456,854	\$963,843	\$2,778,623	\$13,030,495
Year 8	2023	\$4,428,281	\$5,438,240	\$539,129	\$10,405,650	\$504,935	\$873,360	\$463,707	\$978,301	\$2,820,302	\$13,225,952
Year 9	2024	\$4,494,705	\$5,519,814	\$547,216	\$10,561,735	\$512,509	\$886,460	\$470,663	\$992,975	\$2,862,607	\$13,424,341
Year 10	2025	\$4,562,126	\$5,602,611	\$555,424	\$10,720,161	\$520,196	\$899,757	\$477,723	\$1,007,870	\$2,905,546	\$13,625,707
Year 11	2026	\$4,630,558	\$5,686,650	\$563,755	\$10,880,963	\$527,999	\$913,254	\$484,888	\$1,022,988	\$2,949,129	\$13,830,092
Year 12	2027	\$4,700,016	\$5,771,950	\$572,212	\$11,044,178	\$535,919	\$926,952	\$492,162	\$1,038,333	\$2,993,366	\$14,037,544
Year 13	2028	\$4,770,517	\$5,858,529	\$580,795	\$11,209,840	\$543,958	\$940,857	\$499,544	\$1,053,908	\$3,038,267	\$14,248,107
Year 14	2029	\$4,842,074	\$5,946,407	\$589,507	\$11,377,988	\$552,118	\$954,969	\$507,037	\$1,069,716	\$3,083,841	\$14,461,828
Year 15	2030	\$4,914,705	\$6,035,603	\$598,349	\$11,548,658	\$560,399	\$969,294	\$514,643	\$1,085,762	\$3,130,098	\$14,678,756
Year 16	2031	\$4,988,426	\$6,126,137	\$607,324	\$11,721,888	\$568,805	\$983,833	\$522,363	\$1,102,048	\$3,177,050	\$14,898,937
Year 17	2032	\$5,063,252	\$6,218,029	\$616,434	\$11,897,716	\$577,337	\$998,591	\$530,198	\$1,118,579	\$3,224,705	\$15,122,421
Year 18	2033	\$5,139,201	\$6,311,300	\$625,681	\$12,076,182	\$585,997	\$1,013,570	\$538,151	\$1,135,358	\$3,273,076	\$15,349,257
Year 19	2034	\$5,216,289	\$6,405,969	\$635,066	\$12,257,324	\$594,787	\$1,028,773	\$546,223	\$1,152,388	\$3,322,172	\$15,579,496
Year 20	2035	\$5,294,533	\$6,502,059	\$644,592	\$12,441,184	\$603,709	\$1,044,205	\$554,417	\$1,169,674	\$3,372,005	\$15,813,189
Year 21	2036	\$5,373,951	\$6,599,590	\$654,261	\$12,627,802	\$612,765	\$1,059,868	\$562,733	\$1,187,219	\$3,422,585	\$16,050,387
Year 22	2037	\$5,454,561	\$6,698,583	\$664,075	\$12,817,219	\$621,956	\$1,075,766	\$571,174	\$1,205,027	\$3,473,923	\$16,291,142
Year 23	2038	\$5,536,379	\$6,799,062	\$674,036	\$13,009,477	\$631,286	\$1,091,902	\$579,741	\$1,223,103	\$3,526,032	\$16,535,510
Year 24	2039	\$5,619,425	\$6,901,048	\$684,146	\$13,204,619	\$640,755	\$1,108,281	\$588,438	\$1,241,449	\$3,578,923	\$16,783,542
Year 25	2040	\$5,703,716	\$7,004,564	\$694,409	\$13,402,689	\$650,366	\$1,124,905	\$597,264	\$1,260,071	\$3,632,607	\$17,035,295
Year 26	2041	\$5,789,272	\$7,109,632	\$704,825	\$13,603,729	\$660,122	\$1,141,779	\$606,223	\$1,278,972	\$3,687,096	\$17,290,825
Year 27	2042	\$5,876,111	\$7,216,277	\$715,397	\$13,807,785	\$670,024	\$1,158,906	\$615,316	\$1,298,157	\$3,742,402	\$17,550,187
Year 28	2043	\$5,964,253	\$7,324,521	\$726,128	\$14,014,902	\$680,074	\$1,176,289	\$624,546	\$1,317,629	\$3,798,538	\$17,813,440
Year 29	2044	\$6,053,716	\$7,434,389	\$737,020	\$14,225,125	\$690,275	\$1,193,933	\$633,914	\$1,337,393	\$3,855,516	\$18,080,642
Year 30	2045	\$6,144,522	\$7,545,905	\$748,075	\$14,438,502	\$700,629	\$1,211,842	\$643,423	\$1,357,454	\$3,913,349	\$18,351,851
TOTAL		\$149,779,339	\$183,939,539	\$18,235,142	\$351,954,019		\$29,539,963	\$15,684,130	\$33,089,409	\$95,392,092	\$447,346,111

SOURCE: RKG ASSOCIATES, INC.

Map 2 – Fairgrounds Tourism Development Zone (TDZ) and Land Uses



II. TDZ – TOURISM DEVELOPMENT ZONE

This chapter presents an analysis of the existing baseline conditions for the Fairgrounds TDZ. Once the baseline has been established, particularly with respect to retail sales and activity, the proposed changes to the baseline are presented, including the development of the urban village concept at the Fairgrounds proper, as well as selected off-site activity such as the redevelopment occurring in Overton Square. After considering this new development, estimates of retail sales and resulting sales tax are developed in order to arrive at an estimate of the incremental retail sales tax revenue derived from with the Fairgrounds TDZ.

A. Baseline Indicators

The Fairgrounds TDZ consists of more than 4,000 tax parcels containing over 1,660 acres and improved with 8.8 million square feet of building area including 5,460 living units, as shown in Table 3. Residential properties, including single-family and multi-unit properties, are developed on 38% of the land area, and account for 77% of the building area, but 72% of the appraised value. Commercial properties (auto-related parcels; dine, drink, stay and theatre properties; and retail/services parcels, combined) represent about 6% of the acreage in the TDZ, contain almost 1.6 million SF of building area, or 18% of the building area, and contribute about 12% of the total appraisal value. Map 2 displays the land use characteristics of the Fairgrounds TDZ, and nearly all commercial properties line the major commercial corridors such as Madison, Union, Central and Poplar Avenues and Cooper Street.

Table 3 - Fairgrounds TDZ: Existing Land Uses (FY-2013)

	# of	Land in	Living		Appraisal	Per	cent of T	otal
Land Use	Parcels	Acres	_	Building SF	Value	Acres	Bldg SF	Appr. \$
Single Family/Condo	2,547	481.9	2,509	4,446,743	\$441,243,100	29.0%	50.1%	58.3%
Multifamily	676	144.8	2,587	2,393,956	\$104,529,000	8.7%	27.0%	13.8%
Subtotal	3,223	626.7	5,096	6,840,699	\$545,772,100	37.7%	77.1%	72.1%
Auto-Related	23	10.3	1	74,175	\$7,355,100	0.6%	0.8%	1.0%
Dine/Drink/Stay/Theater	65	24.8	5	553,234	\$29,820,300	1.5%	6.2%	3.9%
Retail/Service	167	59.7	142	957,551	\$52,316,000	3.6%	10.8%	6.9%
Subtotal	255	94.9	148	1,584,960	\$89,491,400	5.7%	17.9%	11.8%
Office	122	52.3	36	1,128,372	\$43,164,500	3.1%	12.7%	5.7%
Industrial/WHS/Trucking	51	73.1	1	1,200,608	\$22,893,800	4.4%	13.5%	3.0%
Government/Institutional	167	386.2	174	513,495	\$47,218,500	23.2%	5.8%	6.2%
Subtotal	340	511.5	211	2,842,475	\$113,276,800	30.7%	32.0%	15.0%
Parking/Accessory Use	65	22.0	3	6,465	\$4,261,000	1.3%	0.1%	0.6%
Vacant Land	113	20.6	3	8,226	\$3,123,400	1.2%	0.1%	0.4%
Parks/Recreation	9	387.9	0	0	\$1,506,900	23.3%	0.0%	0.2%
Subtotal	187	430.6	6	14,691	\$8,891,300	25.9%	0.2%	1.2%
Total	4,005	1,664	5,461	8,869,561	\$757,431,600	100%	100%	100%
Source: Shelby County Assesso	r; City of N	/lemphis 8	k RKG Ass	ociates, Inc.				

Referring to Table 3, office, industrial and government/institutional uses, combined, utilize about 31% of the land area, and 32% of the building area. The City of Memphis is a key land

owner in the TDZ as well as the owner of the Fairgrounds property. Other major users in this group included Christian Brothers University; the Kroc Center; the Memphis Children's Museum, Boy Scouts of America; Memphis College of Art; the Shelby County Board of Education as well as numerous churches, religious and social organizations. Most of the industrial uses are on the southeastern side of the TDZ near Southern Avenue, although Turner Dairy Foods has a location on Madison Street just west of Overton Square. Office users are also scattered along the major commercial corridors in the Fairgrounds TDZ.

Parking, vacant land and park/recreation uses account for 26% of the land area in the Fairgrounds TDZ. Overton Park with its 340 acres represents the largest land area in this category, and is home to many attractions such as the Memphis Zoo, the Brooks Art Museum, the Memphis College of Art, Veterans Plaza, the Links at Overton (9-hole golf) and the Levitt Shell. Another 20 acres is classified as vacant land and is scattered throughout the TDZ. Another 22 acres in this group is classified as parking and/or accessory use parcels.

1. Existing Commercial Uses

This section provides more details on the different types of commercial uses in the TDZ, namely auto-related; retail/services; and restaurants, entertainment and hospitality.

a) Auto-Related Uses

There are 23 parcels categorized as auto-related in the Fairgrounds TDZ as shown in Table 4. Service garages account for 56% of the building area for this group followed by 27% for convenience stores. The latter represents a 50% share of the appraisal value, while the former represents about 31% of appraisal value for this group.

	# of	Land in		Appraisal	Percent of T		otal
Building Type	Parcels	Acres	Bldg SF	Value	Acres	Bldg SF	Appr. \$
Service Garage	8	4.0	41,139	\$2,249,200	38.8%	55.5%	30.6%
Concenience Store	8	3.7	19,905	\$3,709,900	35.4%	26.8%	50.4%
Car Wash	3	1.5	7,500	\$868,000	14.7%	10.1%	11.8%
Mini Lube	1	0.3	3,540	\$340,500	3.2%	4.8%	4.6%
Other	3	0.8	2,091	\$187,500	7.8%	2.8%	2.5%
Total	23	10.3	74,175	\$7,355,100	100%	100%	100%
Source: Shelby County A							

Table 4 - Fairgrounds TDZ: Auto-Related Uses

b) Dine, Drink, Stay and Theater

This group includes 65 properties improved on 25 acres and consisting of 553,200 SF of building area, with a total appraised value of \$29.8 million. The lodging component accounts for about 44% of the building area of this group but 13% of the appraisal value. The idle French Quarter Inn (5 parcels) in Overton Square is included in this group, as well as the 176-room Artisan Hotel on Union Street. There are 25 restaurant properties in the TDZ and most are concentrated in Overton Square and/or the Cooper-Young Historic District, and these properties account for nearly 20% of the building area and 37% of the acreage. Fast-food restaurants account for 5% of the building area but 27% of the acreage.

	# of	Land in		Appraisal	Per	cent of T	otal		
Building Type	Parcels	Acres	Bldg SF	Value	Acres	Bldg SF	Appr. \$		
Restaurant	25	9.3	109,749	\$9,997,500	37.4%	19.8%	33.5%		
Fast Food	11	6.7	28,801	\$7,031,200	26.8%	5.2%	23.6%		
Bar/Lounge	4	0.5	12,570	\$543,800	2.2%	2.3%	1.8%		
Commercial &									
Converted Bldgs	13	3.3	84,211	\$2,683,800	13.2%	15.2%	9.0%		
Hotel-Motel	6	2.5	242,835	\$3,806,800	10.2%	43.9%	12.8%		
Theatre	6	2.5	75,068	\$5,757,200	10.3%	13.6%	19.3%		
Total	65	24.8	553,234	\$29,820,300	100%	100%	100%		
Source: Shelby County Assessor; City of Memphis & RKG Associates, Inc.									

Table 5 – Fairgrounds TDZ: Restaurant, Lodging and Entertainment Uses

There are six parcels categorized as theatres including the Circuit Playhouse and Playhouse on the Square; Malco Studio on the Square, and Theater Works/Evergreen Theater. There is also an array of restaurants, bars and lounges in various commercial buildings and/or converted residential buildings, many in the Cooper-Young Historic District.

c) Retail and Services Uses

There are 167 parcels in the Fairgrounds TDZ categorized for retail and services uses containing nearly 960,000 SF of building area, as summarized in Table 6. Retail stores account for almost 48% of the building areas, and most of these properties are the standalone stores along the major corridors. Another 21% of the building areas are contained in strip shopping centers, while 16% are in commercial or converted buildings. Most of the remaining properties are utilized for service-oriented businesses and include day care centers, bank branches, funeral homes to name a few.

Table 6 – Fairgrounds TDZ: Retail/Services Uses

	# of	Land in		Appraisal	Per	cent of T	otal
Building Type	Parcels	Acres	Bldg SF	Value	Acres	Bldg SF	Appr. \$
Store-Retail	104	32.6	458,531	\$30,032,200	54.6%	47.9%	57.4%
SHP-CTR-Strip	26	12.3	196,397	\$9,047,800	20.6%	20.5%	17.3%
Commercial &							
Converted Bldgs	5	2.1	155,029	\$2,450,400	3.5%	16.2%	4.7%
Super Market	1	1.7	39,723	\$1,663,400	2.8%	4.1%	3.2%
Store/Apt	10	1.4	36,073	\$1,322,700	2.4%	3.8%	2.5%
Bank/Savings	8	5.1	28,487	\$5,358,700	8.6%	3.0%	10.2%
Day Care Center	7	1.9	17,213	\$897,000	3.2%	1.8%	1.7%
Veterinary Clinic	3	1.0	14,267	\$787,100	1.7%	1.5%	1.5%
Funeral Home	1	0.9	7,080	\$414,100	1.5%	0.7%	0.8%
Health Spa	1	0.2	3,736	\$263,200	0.4%	0.4%	0.5%
Lndspng or Nursery	1	0.5	1,015	\$79,400	0.8%	0.1%	0.2%
Total	167	59.7	957,551	\$52,316,000	100%	100%	100%
Source: Shelby County As	ssessor; C	ity of Mem	phis & RKG A	Associates, Inc.			

2. Cooper-Young Historic District

Included within the Fairgrounds TDZ is the neighboring Cooper-Young Historic District (immediately to the west), with its active/pedestrian friendly retail and entertainment district. There are nearly 200 non-residential properties in this neighborhood (which are members of

the Cooper Young Business Association) with a diverse mix of businesses and services as indicated in Table 7. Included in this mix are 20 restaurant and dining establishments.

Table 7 - Cooper Young Historic District Business Mix - 2013

Member Profile	# of	% of
	Businesses	Businesses
Unspecified Businesses	4	2.0%
Auto Related	10	5.1%
Real Estate Related	6	3.0%
Media Related	10	5.1%
Children Stores and/or Pet Related	11	5.6%
Church and Non-Profit	9	4.5%
Financial and Professional Services	13	6.6%
General Business	15	7.6%
Art and Music Related	13	6.6%
Home Interior and Exterior	19	9.6%
Dining	20	10.1%
Personal Care and Fitness	21	10.6%
Vacant or Unleased	19	9.6%
Other Retail Businesses	28	14.1%
TOTAL	198	100.0%

Source: Cooper Young Business Association and RKG Associates Inc.

3. Major Projects Underway or Proposed

In addition to the Fairgrounds redevelopment proposal there are a number of projects within the Fairgrounds TDZ that were recently completed or are under construction, as shown in Table 8 (and highlighted on Map 2). Seven restaurants have recently opened in the TDZ, including two national fast-food chains Five Guys and TCBY. CVS drug store also recently moved into its new store, and Urban Outfitters moved into a new location at a repositioned retail mall. Two additional restaurants are presently under-construction, as well as the continuing redevelopment of Overton Square, where a new restaurant recently opened plus a new retailer. The Hattiloo Theatre has also recently broken ground for its new 12,000 SF building, adjacent to a new municipal parking garage under-construction. Referring to Table 8, three major project are currently in the planning stages and include an expanded grocery store and other assorted retail/restaurants upon completion. A major retail center is also being considered at a Memphis police station on Union Street.

Table 8 - Fairgrounds TDZ - Projects Recently Completed, On-Going or Planned

Address	Name	Туре	Bldg SF	Status
2115 Union Ave	CVS	Store-Retail	14,208	Completed
2151 Central Ave	Urban Outfitters et al	Store-Retail	19,062	Completed
1708 Union Ave	TCBY	Fast Food	1,046	Completed
2100 Union Ave	Five Guys	Fast Food	2,101	Completed
1718 Madison Ave	Freda's Mexican	Restaurant	7,040	Completed
2059 Madison Ave	Chiwawa	Restaurant	3,190	Completed
1961 Union Ave	Panera Bread	Restaurant	4,588	Completed
2126 Madison Ave	Local Gastropub	Restaurant	5,826	Completed
	Bar Louis, Breakaway			
2087 Madison Ave	Running, et al	Rest/Retail	54,818	On-Going
2144 Monroe Ave	The Second Line	Restaurant	1,433	Under Construction
2250 Central Ave	Not Available	Fast Food	1,100	Under Construction
0 Monroe Ave	Hattiloo Theatre	Theatre	12,000	Under Construction
0 Central Ave	Not Available	Rest/Retail	10,000	Planning
1761 Union Ave	Kroger Plaza	Retail Plaza	20,000	Planning
0 Union Ave	Police Station	Retail Plaza	50,000	Planning
Source: Shelby County A	ssessor; City of Memphis &	RKG Associates, Inc.		·

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4. Retail Sales and Sales Tax

There are approximately 5,625 households within the Fairgrounds TDZ and in 2012 the estimated annual retail spending demand of these households was \$19,130/household or about \$107.6 million. As indicated in Table 9, the estimated TDZ retail sales total nearly \$201.8 million, indicating that the shops and businesses within the Fairgrounds TDZ were a net importer of retail sales, or overselling to the demand of the resident population. This is not particularly surprising, noting the following:

- Home center stores sales exceed local demand by \$17.4 million.
- There was nearly \$25.1 million more in sales among drug stores and health care stores when compared to the approximate \$8.4 million in demand.
- Most notable are the imported sales for selected restaurants and dining establishments (full and limited service) where sales exceed local demand by \$49.8 million, especially considering the many restaurants and destination dining establishments in the Cooper-Young Historic District.

Conversely, there are several store types and/or merchandise lines where retail sales in the Fairgrounds TDZ falls well below local demand, including the following:

- All apparel and accessory stores with a combined unmet demand of nearly \$2 million.
- Department and general merchandise stores with unmet local demand of \$14.1 million.

The proposed mix of retail businesses and store types at the Fairgrounds development could likely reinforce the destination strengths of the area, such as for dining, while also serving to fill local voids, such as for department store/general merchandise type retail.

The estimated 2012 baseline retail sales tax from within the Fairgrounds TDZ totals \$16.9 million (Table 9). Of this total, approximately \$4.5 million is derived from the City of Memphis sales tax, with the remainder, at \$12.4 million, from the state sales tax, as adjusted.

a) Revised Baseline Sales Tax

The baseline 2012 sales tax is inflated annually by 1½% through 2016 within the TDZ, which then becomes the baseline and benchmark year of 2016. As a result, the estimated baseline retail sales in 2016, is estimated to be slightly less than \$214.1 million and account for an adjusted \$18 million in sales tax, representing an approximate 6% increase over the 2012 adjusted sales tax.

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⁷ Baseline state sales tax of 7% and a city sales tax of 2.25% for a total rate of 9.25%, however, the applicable sales tax rate is diminished by -0.5% to reflect a required set-aside for education funding. As a result the applicable sales tax rate (nongrocery) for the proposed TDZ is 8.75%. The applicable sales tax rate for grocery purchases is 7.25%, less the -0.5% set aside, or 6.75%.

Table 9 - Retail Sales and Sales Tax Analysis for the Fairgrounds TDZ — 2012

Retail Sales Analysis	Total 2012 I	Retail GAP Analys	is	Estimat	ed 2012 Sales	Tax
Memphis Fairgrounds TDZ	Demand	Sales	Over/Under	8.75%	6.75%	TOTAL
	****	4004 00-	40	444	40.000.000	444 040 000
Major Merchandise Line (NAICS code)	\$107,599,184	\$201,755,327	\$94,156,143	\$14,567,888	\$2,380,399	\$16,948,288
Auto Parts-4413	\$2,048,088	\$732,161	(\$1,315,927)	\$64,064		\$64,064
Furniture Stores-4421	\$1,499,362	\$2,155,100	\$655,738	\$188,571		\$188,571
Home Furnishing Stores-4422	\$1,352,064	\$3,355,090	\$2,003,026	\$293,570		\$293,570
Household Appliances Stores-443111	\$581,767	\$648,512	\$66,745	\$56,745		\$56,745
Radio, Television, Electronics Stores-443112	\$2,102,007	\$1,854,503	(\$247,504)	\$162,269		\$162,269
Computer and Software Stores-44312	\$809,794	\$0	(\$809,794)	\$0		\$0
Camera and Photographic Equipment Stores-44313	\$144,612	\$0	(\$144,612)	\$0		\$0
Home Centers-44411	\$4,859,073	\$22,257,689	\$17,398,616	\$1,947,548		\$1,947,548
Paint and Wallpaper Stores-44412	\$283,668	\$826,280	\$542,612	\$72,300		\$72,300
Hardware Stores-44413	\$1,234,357	\$0	(\$1,234,357)	\$0		\$0
Other Building Materials Dealers-44419	\$3,819,389	\$0	(\$3,819,389)	\$0		\$0
Building Materials, Lumberyards-444191	\$3,133,848	\$8,177,264	\$5,043,416	\$715,511		\$715,511
Outdoor Power Equipment Stores-44421	\$193,669	\$62,737	(\$130,932)	\$5,489		\$5,489
Nursery and Garden Centers-44422	\$1,091,998	\$3,505,449	\$2,413,451	\$306,727		\$306,727
Supermarkets, Grocery (Ex Conv) Stores-44511	\$18,189,680	\$30,408,197	\$12,218,517		\$2,052,553	\$2,052,553
Convenience Stores-44512	\$1,070,522	\$824,850	(\$245,672)		\$55,677	\$55,677
Specialty Food Stores-4452	\$582,975	\$2,355,714	\$1,772,739		\$159,011	\$159,011
Beer, Wine and Liquor Stores-4453	\$1,689,069	\$1,676,412	(\$12,657)		\$113,158	\$113,158
Pharmacies and Drug Stores-44611	\$8,447,435	\$33,546,451	\$25,099,016	\$2,935,314		\$2,935,314
Cosmetics, Beauty Supplies, Perfume Stores-44612	\$350,389	\$312,290	(\$38,099)	\$27,325		\$27,325
Optical Goods Stores-44613	\$259,587	\$0	(\$259,587)	\$0		\$0
Other Health and Personal Care Stores-44619	\$621,550	\$298,350	(\$323,200)	\$26,106		\$26,106
Men's Clothing Stores-44811	\$337,172	\$0	(\$337,172)	\$0		\$0
Women's Clothing Stores-44812	\$1,260,615	\$647,770	(\$612,845)	\$56,680		\$56,680
Children's, Infants Clothing Stores-44813	\$230,667	\$18,294	(\$212,373)	\$1,601		\$1,601
Family Clothing Stores-44814	\$2,646,650	\$2,470,604	(\$176,046)	\$216,178		\$216,178
Clothing Accessories Stores-44815	\$121,856	\$95,416	(\$26,440)	\$8,349		\$8,349
Other Clothing Stores-44819	\$339,487	\$194,544	(\$144,943)	\$17,023		\$17,023
Shoe Stores-4482	\$1,050,028	\$673,448	(\$376,580)	\$58,927		\$58,927
Jewelry Stores-44831	\$1,024,199	\$1,005,038	(\$19,161)	\$87,941		\$87,941
Luggage and Leather Goods Stores-44832	\$85,277	\$0	(\$85,277)	\$0		\$0
Sporting Goods Stores-45111	\$1,073,965	\$329,901	(\$744,064)	\$28,866		\$28,866
Hobby, Toys and Games Stores-45112	\$700,858	\$577,923	(\$122,935)	\$50,568		\$50,568
Sew/Needlework/Piece Goods Stores-45113	\$133,356	\$262,440	\$129,084	\$22,964		\$22,964
Musical Instrument and Supplies Stores-45114	\$214,202	\$638,087	\$423,885	\$55,833		\$55,833
Book Stores-451211	\$826,383	\$1,435,862	\$609,479	\$125,638		\$125,638
News Dealers and Newsstands-451212	\$39,669	\$0	(\$39,669)	\$0		\$0
Prerecorded Tapes, CDs, Record Stores-45122	\$329,237	\$1,082,626	\$753,389	\$94,730		\$94,730
Department Stores Excl Leased Depts-4521	\$9,810,248	\$0	(\$9,810,248)	\$0		\$0
All Other General Merchandise Stores-45299	\$10,865,972	\$6,533,800	(\$4,332,172)	\$571,708		\$571,708
Florists-4531	\$276,754	\$285,615	\$8,861	\$24,991		\$24,991
Office Supplies and Stationery Stores-45321	\$974,661	\$1,634,692	\$660,031	\$143,036		\$143,036
Gift, Novelty and Souvenir Stores-45322	\$718,151	\$425,660	(\$292,491)	\$37,245		\$37,245
Used Merchandise Stores-4533	\$355,640	\$2,274,136	\$1,918,496	\$198,987		\$198,987
Other Miscellaneous Store Retailers-4539	\$2,136,459	\$2,652,487	\$516,028	\$232,093		\$232,093
Full-Service Restaurants-7221	\$8,043,422	\$23,364,724	\$15,321,302	\$2,044,413		\$2,044,413
Limited-Service Eating Places-7222	\$7,275,031	\$41,752,065	\$34,477,034	\$3,653,306		\$3,653,306
Special Foodservices-7223	\$1,430,332	\$285,302	(\$1,145,030)	\$24,964		\$24,964
Drinking Places -Alcoholic Beverages-7224	\$933,990	\$117,844	(\$816,146)	\$10,311		\$10,311

Source : Claritas and RKG Associates, Inc.

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B. Components of TDZ Retail Sales Tax Increment

This section presents an overview of planned and existing retail development both on-site and off-site in the Fairgrounds TDZ that would result in incremental changes in the amount of retail sales activity and resulting sales tax receipts.

1. Fairgrounds - On-Site Development

Specific retail/commercial tenants proposed for the Fairgrounds are unknown at this time, although it is generally considered that such development will include a 120,000 SF anchor tenant; 280,000 SF of other retail; and a 180 room hotel.

2. Overton Square Project

Loeb Properties is repositioning a portion of the Overton Square development, an approximate \$42± million investment, totaling nearly 8.7 acres of land including several vacant and/or underutilized parcels. In addition to structured parking, the proposed redevelopment (assumed to be taxable) is to include an office component (12,400 SF), assorted retail (23,900 SF) and 25,200 SF of restaurant uses. Adjacent development is to include the 12,000 SF home for Hattiloo, a not-for-profit theater.

3. Other Development and Projects

The proposed redevelopment of the Fairgrounds and Overton Square, coupled with an improving retail/economic environment, has helped to stimulate investment activity throughout the TDZ, as previously referenced in Table 8. This includes the announced expansion plans for an area grocery store as well as numerous dining and drinking establishments (note the projects highlighted on Map 2). Some of these establishments have recently opened and others are currently under construction (or pending construction). In either event, the estimated annual sales activity from these businesses, along with their contributory sales tax, *is not reflected* in the 2012 baseline analysis presented in Table 9. As a result, the contribution of most of these establishments will be reflected in the TDZ model as incremental sales and sales tax, along with the Fairgrounds and Overton Square.

4. Inputs and Assumptions

The following inputs and assumptions are utilized in developing sales estimates for the Fairgrounds, as well as other new retail in the TDZ. The first full year of impacts and operations is assumed to be 2016:

- The 120,000 SF anchor is assumed to be a single-occupant general merchandise type store. While a specific tenant is unknown at this time, merchandise available would likely include apparel, electronics, home goods, sports related or other general merchandise. The estimated annual retail sales for this component are \$400/SF.
- For the 280,000 SF of other retail uses in the Fairgrounds (and elsewhere in the TDZ), a blended average of \$250/SF in retail sales is utilized for these establishments, considering the mix of potential store types and the size (SF) of the establishments.

- The estimated average TDZ restaurant sales are \$500/SF, while other retail sales (reflecting a grocery expansion in the TDZ) are \$450/SF.
- The proposed hotel component is assumed to experience an approximate 65% occupancy rate and an average nightly room rate of \$130.
- An overall 5% sales transfer rate is applied to all retail sales considering the number
 of restaurants in the Cooper-Young Historic District and surrounding TDZ and
 considering the unknown mix of tenants and possible duplication and/or competition
 with the nearby Highland Row⁸ and Overton Square projects. In other words it is
 assumed that 5% of the sales at new establishments will result in transfer from
 existing TDZ establishments.
- A vacancy factor of 15%, comparable to the estimated retail vacancy rate for the Downtown/Midtown district(s) of Memphis⁹ is applied to all retail excluding the single tenant store(s).
- An applicable sales tax rate of 8.75% is applied to non-grocery taxable sales (note that the hotel occupancy tax is not included), this rate reflects a deduction of -0.5% as a set aside for education funding. The applicable sales tax rate of 6.75% is used for the grocery, also exclusive of the education set aside.
- The current sales tax rate is held constant throughout this model and bonding period.

All other assumptions and inputs are footnoted as part of the following Table 10 which presents the first year estimates of incremental taxes (2016). Subsequent years are assumed to be inflated by a conservative $1\frac{1}{2}$ % and are presented through 2020.

5. Summary Findings

As indicated in Table 10, the estimated applicable incremental retail sales tax revenue for 2016, the assumed first full year of retail sales at the Fairgrounds is nearly \$9.4 million, after adjusting for vacancy and transfer. Of this total, approximately \$485,800 is estimated to come from the hotel retail sales tax. Adjusted 2016 contributions from other sources within the TDZ include:

- \$417,800 from other retail at Overton Square.
- The restaurant component of the Overton Square development is estimated to add an additional \$881,500.
- Other projects (as highlighted previously in Table 8) contribute an estimated \$1.2 million.

The total applicable (and adjusted) incremental retail sales tax revenue, from consumer activity at the Fairgrounds, Overton Square and throughout the TDZ, is estimated to be \$11.9 million for 2016 and increase by an inflation factor of $1\frac{1}{2}$ % thereafter.

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⁸ The Highland Row mixed-use development is proposed to include 96,100 SF of retail, comprised of a 31,500 SF anchor tenant; a 20,000 SF bookstore (to be the off-campus bookstore for the University); 34,500 SF of other small-scale retail; and, three restaurants totaling 10,100 SF.

⁹ CB Richard Ellis *Market View Memphis Retail* first quarter 2013.

Table 10 - Estimated Impacts and Retail Sales Tax from Fairgrounds TDZ

	FAIRGR	OUNDS - Propos	ed Urban Village	Commercial D	evelopment			OTHER I	Projects			
	Inputs and	Anchor	Other	Hotel	TOTAL	Dine &	Other	0	verton Square		TOTAL	GRAND
	Assumptions	Retail	Retail	Component	FAIRGROUNDS	Drink	Retail	Office	Retail	Dine & Drink	OTHER	TOTAL
PROPERTY USE												
Square Feet (SF) of Development		120,000	280,000	111,400	511,400	12,358	20,000	12,387	23,875	25,185	93,805	605,205
Number of Hotel Rooms		,,	,	180	180	,,,,,	.,	,	-7	2, 22	,	180
Annual Retail Sales (2016 \$)		\$48,000,000	\$70,000,000	NA	\$118,000,000	\$6,179,000	\$9,000,000		\$5,968,750	\$12,592,500	\$33,740,250	\$151,740,250
Less Vacancy Factor	-15.00%		(\$10,500,000)	NA	(\$10,500,000)	(\$926,850)			(\$895,313)	(\$1,888,875)	(\$3,711,038)	(\$14,211,038)
Less Sales Transfer	-5.0%	(\$2,400,000)	(\$3,500,000)	NA	(\$5,900,000)	(\$308,950)	(\$450,000)		(\$298,438)	(\$629,625)	(\$1,687,013)	(\$7,587,013)
Net Retail Sales		\$45,600,000	\$56,000,000	NA	\$101,600,000	\$4,943,200	\$8,550,000		\$4,775,000	\$10,074,000	\$28,342,200	\$129,942,200
ESTIMATED SALES TAX REVENUE												
Sales Tax (9.25% non-grocery and 7.25% grocer	y)	\$4,218,000	\$5,180,000	\$513,528	\$9,911,528	\$457,246	\$790,875		\$441,688	\$931,845	\$2,621,654	\$12,533,181
Less Set-Aside for Education	-0.50%	(\$228,000)	(\$280,000)	(\$27,758)	(\$535,758)	(\$2,286)	(\$3,954)		(\$23,875)	(\$50,370)	(\$80,486)	(\$616,244)
Estimated NET Sales Tax - YEAR	1 2016	\$3,990,000	\$4,900,000	\$485,769	\$9,375,769	\$454,960	\$786,921		\$417,813	\$881,475	\$2,541,168	\$11,916,937
Year	2 2017	\$4,049,850	\$4,973,500	\$493,056	\$9,516,406	\$461,784	\$798,724		\$424,080	\$894,697	\$2,579,285	\$12,095,691
Year	3 2018	\$4,110,598	\$5,048,103	\$500,452	\$9,659,152	\$468,711	\$810,705		\$430,441	\$908,118	\$2,617,975	\$12,277,127
Year	4 2019	\$4,172,257	\$5,123,824	\$507,959	\$9,804,039	\$475,742	\$822,866		\$436,897	\$921,739	\$2,657,244	\$12,461,284
Year	5 2020	\$4,234,841	\$5,200,681	\$515,578	\$9,951,100	\$482,878	\$835,209		\$443,451	\$935,565	\$2,697,103	\$12,648,203
		Anchor	Other	Hotel		Dine &	Other	0	verton Square			
Inputs and Assumptions		Retail	Retail	Component	Construction	Drink	Retail	Office	Retail	Dine & Drink		Construction
Direct SF / Employee		425	250	1,900	NA	200	475	300	400	200		NA
Indirect Employee Multiplier		0.5379	0.5379	0.5850	0.9141	0.8906	0.5379	0.5468	0.5379	0.8906		0.9141
Direct Annual Wage (FTEs)		\$21,410	\$21,410	\$40,721	\$60,988	\$21,410	\$21,410	\$45,017	\$21,410	\$14,967		\$60,988
Indirect Wage Multiplier		0.7206	0.7206	0.7577	0.8788	1.1050	0.7206	0.7417	0.7206	1.1050		0.8788
Sales / SF		\$400	\$250	NA	NA	\$500	\$450	NA	\$250	\$500		NA
Estimated Room Night Demand				65,700								
Estimated Occupancy				65.00%								
Estimated Room Revenue				\$130								

SOURCE : RKG ASSOCIATES, INC.

C. Estimated TDZ Bond Potential (Preliminary and Illustrative)

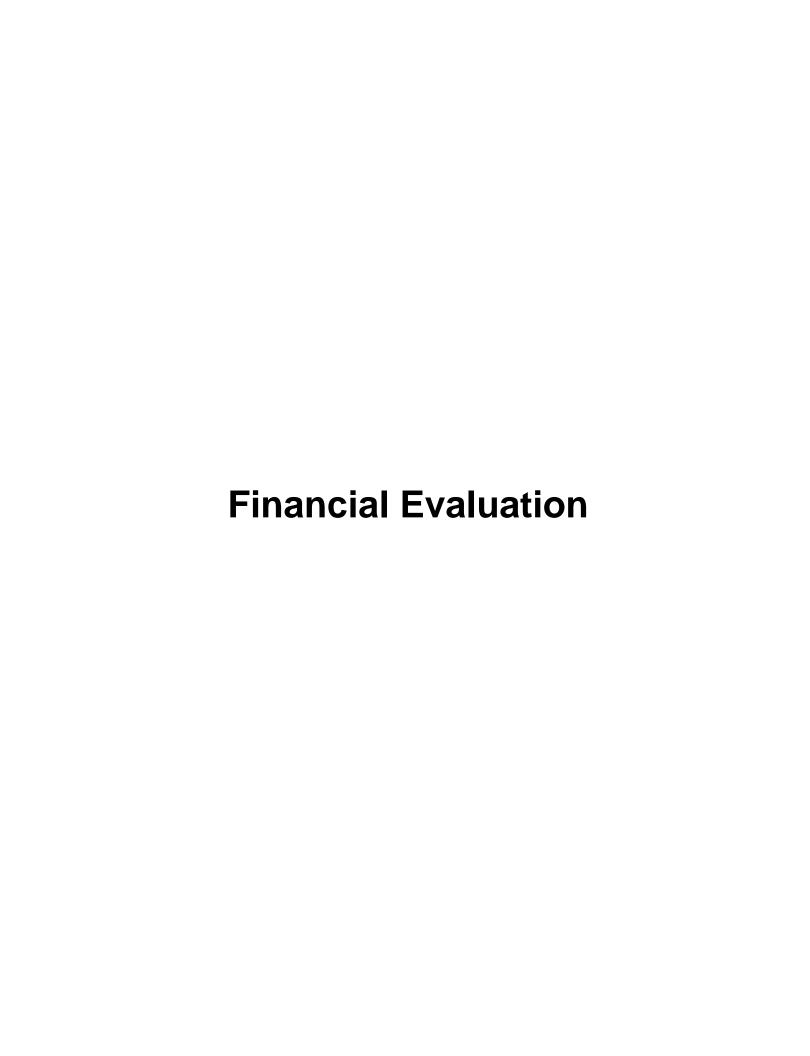
RKG, in co-operation with the City of Memphis, prepared a *preliminary and illustrative analysis* to see how much the potential TDZ revenues, might support in terms of a bond repayment. The following Table 11 presents a hypothetical repayment schedule for an approximate \$172.5 million bond with varying interest rates as shown, and interest only payments in 2014 and 2015 (to be paid from the Capitalized Interest Funds made available from the issue). This schedule assumes principal and interest payments as offered by the client and as adjusted. The revenue streams indicated in the schedule are a result of this TDZ analysis. Under the assumptions and inputs of this schedule, the debt coverage ratio averages 1.2 over the total term and total estimated interest payments are just under \$185 million. A balance of excess TDZ revenues after bond payments results at the end of the term of nearly \$82.5 million.

Table 11 - Fairgrounds TDZ - Repayment of Potential Bond (Preliminary and Illustrative)

		Coupon	Interest	TOTAL DUE	Payment from	Payment from			Running Balance
Year	Principal	Rate	Payment	Payment (P & I)	CIF funds	TDZ funds 1/	DCR	Over or Short	after Payment
2014			\$2,127,038	\$2,127,038	(\$2,127,038)		1.00	\$0	\$0
2015			\$8,508,150	\$8,508,150	(\$8,508,150)		1.00	\$0	\$0
2016	\$1,120,000	3.0%	\$8,508,150	\$9,628,150		\$11,916,937	1.24	\$2,288,787	\$2,288,787
2017	\$1,295,000	3.0%	\$8,474,550	\$9,769,550		\$12,095,691	1.24	\$2,326,141	\$4,614,929
2018	\$1,480,000	3.0%	\$8,435,700	\$9,915,700		\$12,277,127	1.24	\$2,361,427	\$6,976,355
2019	\$1,675,000	4.0%	\$8,391,300	\$10,066,300		\$12,461,284	1.24	\$2,394,984	\$9,371,339
2020	\$1,895,000	4.0%	\$8,324,300	\$10,219,300		\$12,648,203	1.24	\$2,428,903	\$11,800,242
2021	\$2,120,000	5.0%	\$8,248,500	\$10,368,500		\$12,837,926	1.24	\$2,469,426	\$14,269,668
2022	\$2,385,000	5.0%	\$8,142,500	\$10,527,500		\$13,030,495	1.24	\$2,502,995	\$16,772,662
2023	\$2,660,000	5.0%	\$8,023,250	\$10,683,250		\$13,225,952	1.24	\$2,542,702	\$19,315,365
2024	\$2,955,000	5.0%	\$7,890,250	\$10,845,250		\$13,424,341	1.24	\$2,579,091	\$21,894,456
2025	\$3,265,000	5.0%	\$7,742,500	\$11,007,500		\$13,625,707	1.24	\$2,618,207	\$24,512,663
2026	\$3,595,000	5.0%	\$7,579,250	\$11,174,250		\$13,830,092	1.24	\$2,655,842	\$27,168,505
2027	\$3,940,000	5.0%	\$7,399,500	\$11,339,500		\$14,037,544	1.24	\$2,698,044	\$29,866,549
2028	\$4,310,000	5.0%	\$7,202,500	\$11,512,500		\$14,248,107	1.24	\$2,735,607	\$32,602,155
2029	\$4,695,000	5.0%	\$6,987,000	\$11,682,000		\$14,461,828	1.24	\$2,779,828	\$35,381,984
2030	\$5,105,000	5.0%	\$6,752,250	\$11,857,250		\$14,678,756	1.24	\$2,821,506	\$38,203,489
2031	\$5,540,000	5.0%	\$6,497,000	\$12,037,000		\$14,898,937	1.24	\$2,861,937	\$41,065,427
2032	\$5,995,000	5.0%	\$6,220,000	\$12,215,000		\$15,122,421	1.24	\$2,907,421	\$43,972,848
2033	\$6,480,000	5.0%	\$5,920,250	\$12,400,250		\$15,349,257	1.24	\$2,949,007	\$46,921,855
2034	\$6,990,000	5.0%	\$5,596,250	\$12,586,250		\$15,579,496	1.24	\$2,993,246	\$49,915,102
2035	\$7,525,000	5.0%	\$5,246,750	\$12,771,750		\$15,813,189	1.24	\$3,041,439	\$52,956,540
2036	\$8,095,000	5.0%	\$4,870,500	\$12,965,500		\$16,050,387	1.24	\$3,084,887	\$56,041,427
2037	\$8,695,000	5.0%	\$4,465,750	\$13,160,750		\$16,291,142	1.24	\$3,130,392	\$59,171,819
2038	\$9,325,000	5.0%	\$4,031,000	\$13,356,000		\$16,535,510	1.24	\$3,179,510	\$62,351,329
2039	\$9,995,000	5.0%	\$3,564,750	\$13,559,750		\$16,783,542	1.24	\$3,223,792	\$65,575,121
2040	\$10,695,000	5.0%	\$3,065,000	\$13,760,000		\$17,035,295	1.24	\$3,275,295	\$68,850,416
2041	\$11,435,000	5.0%	\$2,530,250	\$13,965,250		\$17,290,825	1.24	\$3,325,575	\$72,175,991
2042	\$12,220,000	5.0%	\$1,958,500	\$14,178,500		\$17,550,187	1.24	\$3,371,687	\$75,547,678
2043	\$13,040,000	5.0%	\$1,347,500	\$14,387,500		\$17,813,440	1.24	\$3,425,940	\$78,973,618
2044	\$13,910,000	5.0%	\$695,500	\$14,605,500		\$18,080,642	1.24	\$3,475,142	\$82,448,760
	\$172,435,000		\$184,745,688	\$357,180,688	(\$10,635,188)	\$428,994,260	1.20	\$82,448,760	

Source: City of Memphis, TN and RKG Associates, Inc.

1/ Inflation at 1.5% annually after initial year of 2016. Note that 2014 and 2015 are direct payments of interest



C. Estimated TDZ Bond Potential (Preliminary and Illustrative)

RKG, in co-operation with the City of Memphis, prepared a *preliminary and illustrative analysis* to see how much the potential TDZ revenues, might support in terms of a bond repayment. The following Table 11 presents a hypothetical repayment schedule for an approximate \$172.5 million bond with varying interest rates as shown, and interest only payments in 2014 and 2015 (to be paid from the Capitalized Interest Funds made available from the issue). This schedule assumes principal and interest payments as offered by the client and as adjusted. The revenue streams indicated in the schedule are a result of this TDZ analysis. Under the assumptions and inputs of this schedule, the debt coverage ratio averages 1.2 over the total term and total estimated interest payments are just under \$185 million. A balance of excess TDZ revenues after bond payments results at the end of the term of nearly \$82.5 million.

Table 11 - Fairgrounds TDZ - Repayment of Potential Bond (Preliminary and Illustrative)

		Coupon	Interest	TOTAL DUE	Payment from	Payment from			Running Balance
Year	Principal	Rate	Payment	Payment (P & I)	CIF funds	TDZ funds 1/	DCR	Over or Short	after Payment
2014			\$2,127,038	\$2,127,038	(\$2,127,038)		1.00	\$0	\$0
2015			\$8,508,150	\$8,508,150	(\$8,508,150)		1.00	\$0	\$0
2016	\$1,120,000	3.0%	\$8,508,150	\$9,628,150		\$11,916,937	1.24	\$2,288,787	\$2,288,787
2017	\$1,295,000	3.0%	\$8,474,550	\$9,769,550		\$12,095,691	1.24	\$2,326,141	\$4,614,929
2018	\$1,480,000	3.0%	\$8,435,700	\$9,915,700		\$12,277,127	1.24	\$2,361,427	\$6,976,355
2019	\$1,675,000	4.0%	\$8,391,300	\$10,066,300		\$12,461,284	1.24	\$2,394,984	\$9,371,339
2020	\$1,895,000	4.0%	\$8,324,300	\$10,219,300		\$12,648,203	1.24	\$2,428,903	\$11,800,242
2021	\$2,120,000	5.0%	\$8,248,500	\$10,368,500		\$12,837,926	1.24	\$2,469,426	\$14,269,668
2022	\$2,385,000	5.0%	\$8,142,500	\$10,527,500		\$13,030,495	1.24	\$2,502,995	\$16,772,662
2023	\$2,660,000	5.0%	\$8,023,250	\$10,683,250		\$13,225,952	1.24	\$2,542,702	\$19,315,365
2024	\$2,955,000	5.0%	\$7,890,250	\$10,845,250		\$13,424,341	1.24	\$2,579,091	\$21,894,456
2025	\$3,265,000	5.0%	\$7,742,500	\$11,007,500		\$13,625,707	1.24	\$2,618,207	\$24,512,663
2026	\$3,595,000	5.0%	\$7,579,250	\$11,174,250		\$13,830,092	1.24	\$2,655,842	\$27,168,505
2027	\$3,940,000	5.0%	\$7,399,500	\$11,339,500		\$14,037,544	1.24	\$2,698,044	\$29,866,549
2028	\$4,310,000	5.0%	\$7,202,500	\$11,512,500		\$14,248,107	1.24	\$2,735,607	\$32,602,155
2029	\$4,695,000	5.0%	\$6,987,000	\$11,682,000		\$14,461,828	1.24	\$2,779,828	\$35,381,984
2030	\$5,105,000	5.0%	\$6,752,250	\$11,857,250		\$14,678,756	1.24	\$2,821,506	\$38,203,489
2031	\$5,540,000	5.0%	\$6,497,000	\$12,037,000		\$14,898,937	1.24	\$2,861,937	\$41,065,427
2032	\$5,995,000	5.0%	\$6,220,000	\$12,215,000		\$15,122,421	1.24	\$2,907,421	\$43,972,848
2033	\$6,480,000	5.0%	\$5,920,250	\$12,400,250		\$15,349,257	1.24	\$2,949,007	\$46,921,855
2034	\$6,990,000	5.0%	\$5,596,250	\$12,586,250		\$15,579,496	1.24	\$2,993,246	\$49,915,102
2035	\$7,525,000	5.0%	\$5,246,750	\$12,771,750		\$15,813,189	1.24	\$3,041,439	\$52,956,540
2036	\$8,095,000	5.0%	\$4,870,500	\$12,965,500		\$16,050,387	1.24	\$3,084,887	\$56,041,427
2037	\$8,695,000	5.0%	\$4,465,750	\$13,160,750		\$16,291,142	1.24	\$3,130,392	\$59,171,819
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2044	\$13,910,000	5.0%	\$695,500	\$14,605,500		\$18,080,642	1.24	\$3,475,142	\$82,448,760
	\$172,435,000		\$184,745,688	\$357,180,688	(\$10,635,188)	\$428,994,260	1.20	\$82,448,760	

Source: City of Memphis, TN and RKG Associates, Inc.

1/ Inflation at 1.5% annually after initial year of 2016. Note that 2014 and 2015 are direct payments of interest